

National Municipal Review

Vol. XXXIII, No. 7

Total Number 335

Published monthly except August
By NATIONAL MUNICIPAL LEAGUE

Contents for July 1944

THE LEAGUE'S BUSINESS	322
EDITORIAL COMMENT	<i>Alfred Willoughby</i> 323
SHOULD U. S. USE OCCUPANCY TAX?	
BRITISH SYSTEM MEANS \$3 BILLION HOUSING TAX	<i>Clarence Heer</i> 325
U. S. PROPERTY TAX SOUNDER IN PRINCIPLE	<i>Herbert D. Simpson</i> 330
OTHER OPINIONS	<i>Edmund A. Nightingale, Lawrence G. Holmes, Albert W. Noonan, Harland C. Stockwell, Cuthbert E. Reeves, Carl P. Herbert, Dixwell L. Pierce, J. M. Leonard and Herbert U. Nelson</i> 335
CITY UTILITIES SERVE NEIGHBORS	<i>John Bauer</i> 342
RESEARCHER'S DIGEST: JULY	<i>Miriam Roher</i> 350
ON THE LOCAL FRONT	<i>Zilpha C. Franklin</i> 352
CONTRIBUTORS IN REVIEW	355
LETTER TO THE EDITOR	355
NEWS IN REVIEW	
CITY, STATE AND NATION	<i>H. M. Olmsted</i> 356
CITIZEN ACTION	361
PROPORTIONAL REPRESENTATION	<i>George H. Hallett, Jr.</i> 365
COUNTY AND TOWNSHIP	<i>Elwyn A. Mauck</i> 367
TAXATION AND FINANCE	<i>Wade S. Smith</i> 368
BOOKS IN REVIEW	<i>Elsie S. Parker</i> 371

The contents of the NATIONAL MUNICIPAL REVIEW are indexed in the
Engineering Index Service, the *Index to Legal Periodicals*, the *Inter-
national Index to Periodicals* and in *Public Affairs Information Service*.

— Buy United States War Bonds and Stamps —

The League's Business

League Pamphlets Revised

Indicative of an increase of interest and activity in efforts to improve local affairs, the supply of a number of the National Municipal League's more popular publications was exhausted in recent weeks. Following is a brief report on current publication activities:

Model City Charter. Basic document widely used by local charter revision commissions and draftsmen. Revision of 1941 by the Committee on a Model City Charter reprinted with several minor corrections. \$1.

The Story of the Council-Manager Plan. History, principles and accomplishments of the Council-Manager Plan, with directory of the 604 municipalities and counties which have this form of government. Revised and brought up to date. 15c.

Forms of Municipal Government—How Have They Worked? A popular description of the several most commonly used forms of local government with an evaluation and comparison of their advantages and disadvantages. Revised and reprinted. 25c.

Answers to Your Questions About the Manager Plan. The 25 questions most commonly asked about the Council-Manager Plan, with answers. Reprinted. 5c.

What Happens to Labor Under the Manager Plan? Facts from manager plan cities and testimonials from leaders of organized labor. Reprinted. 5c.

The County Manager Plan. Principles and administrative organization of the Council-Manager Plan as applied to counties and accounts of the experience of the counties which have

adopted it. Manuscript written and in process of being edited. 15c.

The Citizens' Council Plan. History, principles, accomplishments and methods of organizing Citizens' Councils to promote understanding of governmental problems and create informed public opinion; with typical by-laws. Manuscript written and in process of being edited.

Citizen Organization for Political Activity—The Cincinnati Plan. The story of how the citizens of one community organized effectively to obtain and defend good government, with organization chart and detailed organization and campaign plans. Reprinting under consideration. 35c.

Recent Visitors

Among those who have called at the office of the League recently are Herbert Emmerich, associate director of the Public Administration Clearing House; Professor Hsiao Tung Fei, visiting professor of sociology who has been lecturing at Chicago, Harvard, Columbia, Cornell, etc., under the auspices of the U. S. State Department, author of two forthcoming books, *Peasant Life in China* and *China Enters Machine Age*; Dr. Yung-Shun Hsu, formerly chief administrator of Wenshang County and lecturer at the National Institute of Rural Reconstruction in China, recently granted a Ph.D. degree by the University of Minnesota; J. W. Clise, Seattle civic leader and vice president of the National Municipal League; H. Eliot Kaplan, secretary, National Civil Service Reform League; Charles M. Carpenter, president, Yonkers Committee of One Hundred; and Max L. Roessel, president, Civic League of Westchester (County, New York).

National Municipal Review

Editorial Comment

Wanted: Better Politicians

THE low opinion our people have of politicians is indicated again by a recent survey¹ which found that seven out of ten voters would not like to see their children go into politics. They believe graft and dishonesty virtually inevitable in politics, that it is "rotten and dirty," that "a politician has to obey the bosses or he doesn't get anywhere."

The truth is that there are thousands of men and women in public life who are honest and well-intentioned. But it is also true that a great many of even the best of these find it "practical" to compromise with political crooks—*because they cannot depend on decent citizens to appreciate and support them!*

There is not as much dishonesty and graft in politics as most people think but there is more of it than is realized by some people who think corrupt political machines went out with the horse and buggy.

The survey's fleeting look into the public mind should shock good citizens, but it probably won't. There, perhaps, lies the answer to just what's wrong. Too many citizens who vaguely want "good government" leave it up to someone else to get it for them. Politics, they are sure, is too rotten for decent people, so they hide their heads in the sand of inaction. A man who comes forth to do battle with the politicians is a civic leader. He defeats the politicians and gets elected. Presto!

Almost overnight he, too, is a politician and therefore not to be believed or trusted.

That is what the Tweeds, the Pendergasts, the Hagues and the hundreds of smaller fry have done to the public mind. They have proved more destructive of the ideal of self-government than any Caesar, Hitler or Mussolini. In the minority though they and their kind always are, stories of their dictatorships have been so dramatic as to damn politicians generally and destroy essential confidence in our system. Their game is to rig the machinery to conceal the truth, confuse issues and defeat the people's wishes.

The people want good government. A Gallup poll showed that more than 88 per cent disapprove spoils politics. But spoils politics survives simply because of false political leadership and because the people don't know how to work together to destroy it. Another Gallup poll several years ago showed 75 per cent of the voters of Philadelphia ready to approve a streamlined charter which promised to give the city back to the people. The Pennsylvania legislature brazenly blocked the measure. Did the people understand the issue well enough to elect a new legislature which would carry out their wishes? They did not.

The *New York Times*, citing the "corrosive cynicism on the part of the French people regarding their political leaders" prior to the collapse of that country, wisely observes

¹By the National Opinion Research Center, University of Denver.

that the first step is to rid ourselves of the actuality that seems to justify distrust of politicians. The *Times* recommends further extension of the merit system in civil service to reduce the area of patronage and other reforms calculated to raise the level of politics.

The National Municipal League has prescribed such mechanistic corrections for 50 years and continues to believe in their soundness, but apparently they are only part of the solution. Needed more desperately than these reforms is an alert, interested, participating citizenry which recognizes that local affairs constitute the heart and lifeblood of our entire system. When this happens, we will no longer see 30 per cent or less of the qualified voters take part in local elections, as is now the case more often than not. It is blind luck or inspired leadership that brings good results under such conditions, whereas the result is usually good when a large proportion of the voters goes to the polls.

In short, what this country needs

more than anything else is good citizens who are concerned about local affairs. Without such good citizens we simply do not have self-government. If our educational system fails to produce intelligent citizens with an urge to participate, the system should be changed.

This is no mere wishful thinking. There has been specific progress in some places sufficient to demonstrate that we can deliberately and designedly produce better citizens but too often the experiments have been temporary or only partial. It should be possible to study and evaluate a large number of successful experiments and to group them in patterns which can be applied in many of our communities as sound formal methods of training citizens.

The politician is certain his first duty is to please his constituents and thus get elected and re-elected. Good citizens—and that means citizens who are not too “good” to participate in politics—will therefore produce a higher grade of politician.

Producing Better Citizens

THERE is a report in the Citizen Action section of this issue (page 362) which tells of the use of college students to make a survey of parking facilities and related problems in San Jose, California. The students probably did an intelligent, satisfactory job. What is more important, they are sure to have a livelier and more accurate understanding of a serious problem common to all municipalities.

This is a specific illustration of

one means of producing better citizens, as advocated in the other editorial in this issue. The REVIEW and other publications have told of many things which have been done to give young people a feeling of responsibility toward their communities, a more lively awareness of their duties than of their rights.

Such ideas are not and should not be fanciful and theoretical. Almost invariably they are useful, sound and practical.

Shall U. S. Use Occupancy Tax?

Authorities cite pros and cons, discuss problems involved in a change in the basis of assessing real estate from a capital to a rental basis as used in England and Wales.

EDITOR'S NOTE.—Because of widespread interest in the article "Occupancy Taxes in Britain," by Arthur Collins, financial advisor to public authorities in England, which appeared in the April issue, the editors of the NATIONAL MUNICIPAL REVIEW and the Forum Committee of the Tax Institute are cooperating in presenting herewith a forum of authoritative opinion on the desirability of substituting the British system of real estate taxation for the one used in the United States.

The Forum Committee, consisting of Frederick L. Bird, Dun & Bradstreet, Inc., Chairman; Welles A. Gray, Chamber of Commerce of the United States; Mabel Newcomer, Vassar College; and Mabel L. Walker, Tax Institute, have invited representatives of real estate and taxpayer groups, public officials, staff members of civic research organizations, educators and others to participate. Two prominent tax economists, recognized students of real estate tax problems, open the discussion. Brief comments from others follow.

This collection of opinions, together with the Collins article and supplementary bibliographical material, will be reprinted by the Tax Institute in a pamphlet, "Should the United States Adopt the British System of Assessing Realty?"

British System Means \$3 Billion Housing Tax

By CLARENCE HEER

University of North Carolina

MOST of us in the United States know as little about the local tax system of Great Britain as the majority of Britishers presumably know about ours. One fact about the British local rates, however, has been fairly well publicized in the United States. Unlike our property tax, which is assessed on the capital or market value of real estate, the British occupancy taxes are assessed on annual income or rental value.

There are, of course, a great many other fiscal and social dissimilarities between Great Britain and the United States. It does not necessarily follow, then, that the adoption of the British method of assessment will automatically produce over here the same happy results which it seems to

produce in England. Before pinning our hopes to a mere change in assessment procedure, it might, therefore, be well to pause and to consider some of the further differences, both fiscal and non-fiscal in nature, between the two countries.

The American property tax has a broader base than the British occupancy tax. Although over 75 per cent of all revenue from the American tax is derived from real estate, in most states the tax, in theory at least, also covers tangible and intangible personalty. The British tax covers only occupied real estate. Its base is further narrowed by the exemption of farm land and buildings and by the taxation of industrial and railroad properties at one-fourth of net annual value. According to Shirras and Rostas, approximately two-thirds of the total yield of occupancy taxes in Great Britain is derived from the rates on dwellings.¹

¹Shirras and Rostas, *The Burden of*

Property taxes in the United States are billed to the owner. To the extent that they apply to real estate, they constitute a lien against the property. The occupancy tax is not a tax on real estate nor does it constitute a lien against it. It is a personal charge against the real estate occupier, be he owner or tenant, measured by the annual rental value of the property he occupies.

Capital Versus Annual Value

For purposes of taxation, property in the United States is assessed on its capital or market value. Since market value reflects potential future as well as current income, there is no necessary correlation in the United States between the current taxes on a piece of property and its current net income. Moreover, since most taxable property changes hands infrequently, market value must usually be estimated. In assessing real estate, land is ordinarily valued separately from improvements on the basis of actual sales of land having the same potential uses. Buildings are customarily valued on the basis of cost of reproduction new less depreciation. For certain kinds of property, however, estimates of market value may be obtained by capitalizing the normal net earnings of the property as indicated by past and current experience.

Real estate in Great Britain is assessed on its net annual value, which is obtained by subtracting certain standard deductions for presumed expense from the "gross value." Since gross value is defined as

the rent at which a piece of real estate might reasonably be expected to let from year to year, and since reassessments are made at five-year intervals, gross value does not necessarily correspond to the actual rent which a tenant pays in any particular year. It is an average or normal rent. Mr. Collins points out, however, that owing to the steadiness of rents in Great Britain in normal times, gross values for tax purposes and actual rents are identical in from 80 to 90 per cent of all valuations. Net annual value, likewise, is not necessarily equal to the actual net income which an owner receives from his property in any year, since the allowable deductions for repairs, insurance and other expenses are standardized and are based on presumed, not actual, costs.

The rates chargeable in respect to a given property in Great Britain are, however, much more closely related to its current net earnings than would be the case in the United States. This is because current rentals are taken as the point of departure in making valuations. Moreover, since the tax is on the occupier, it is proportionately reduced for any period during which the property is vacant or only partially occupied.

The most significant difference between the American property tax and the British occupancy tax has nothing whatever to do with form and procedure but concerns the relative magnitudes of the tasks which these taxes are respectively called upon to perform. Prior to our entry into the war, the general property tax was the most important tax in our entire register of taxes, federal, state

and local. Its yield in 1941 was close to \$4,500,000,000 and represented over a quarter of all tax collections by all levels of government.² The role of the occupancy tax in the British system of central and local taxation is decidedly more modest, its yield of approximately \$900,000,000 in 1941 representing only about 12 per cent of the aggregate of central and local tax collections.³

U. S. Tax Greater

For the entire United States the average burden of the property tax per capita of total population was around \$34 in 1941. For the same year, occupancy taxes in Great Britain represented an average burden of about \$19 per capita. The American property taxes of 1941 were equal to 5.3 per cent of the national income of that year. The corresponding income ratio for the British occupancy taxes was only 3.7 per cent.⁴

It is thus apparent that the American property tax carries a burden which on an income basis is over 40 per cent greater than the burden carried by the British occupancy tax. Since inequities and administrative difficulties generally increase in geometric ratio to the revenue a tax is called upon to raise, the greater weight of the property tax must be borne in mind in judging

whether a shift to the British method of assessment would bring with it the felicitous results which characterize the administration of the occupancy taxes in Britain.

British local governments are as fully dependent on the occupancy tax as a local tax source as American localities are dependent on the property tax. The lighter weight of the British tax is explained by the more liberal national support of locally administered functions which prevails in Great Britain. National grants in Great Britain for the general support of local government and for such specific functions as education, police, highways, health and housing were about 82 per cent as large as the entire collections from local rates in 1936.⁵

Local governments in the United States also receive various kinds of fiscal aid from national and state funds. The net amount of this aid was approximately \$1,794,000,000 in 1941. This represented the equivalent of 42 per cent of the \$4,224,000,000 of property taxes collected by local governments on their own account during the same year.⁶ Were central grants for the support of local functions as relatively liberal in the United States as they are in Great Britain, it is apparent that the average burden of the local property tax could be reduced by about 40 per cent.

National grants in Great Britain give a certain degree of weight to the equalizing principle. Were national and state aids in the United

²U. S. Department of Commerce, Bureau of the Census, *Financing Federal, State, and Local Governments*, 1941, p. 22.

³Shirras and Rostas, *op. cit.*

⁴Musgrave and Seligman, "The War-time Tax Effort in the United States, the United Kingdom and Canada," *Federal Reserve Bulletin*, January 1944, p. 18.

⁵Midland Bank, *Monthly Review*, July-August 1938, London.

⁶U. S. Department of Commerce, *op. cit.*

States increased to the British level, and were such aids more extensively distributed among local jurisdictions with a view to ironing out interlocal differences in tax rates, the burden of the property tax could be reduced by considerably more than 40 per cent in those localities which now have excessively high tax rates by virtue of their poverty and lack of taxable property. It is in these localities that the hardships and difficulties connected with the property tax are most severe.

Since the British method of assessment is associated with so many fiscal arrangements which differ from our own, the question of whether we should adopt it can scarcely be considered intelligently unless we first define the exact nature of the changes which this proposal is to comprehend. Any one of at least three different sets of measures, involving varying degrees of departure from our existing fiscal pattern, might conceivably be meant.

Possible Alternatives

First, without changing its existing fiscal structure and procedures in any other respect, the United States might abandon the concept of market value in the assessment of real estate, substituting therefor some measure based on the capitalization of current income.

Second, the United States might abandon the general property tax altogether, putting in its place the British occupancy tax which would be expected to carry the entire load now borne by the property tax.

Third, in conjunction with a comprehensive reshifting of central-local* financial responsibility, to-

gether with other changes designed to reduce the burden of local taxation to a level commensurate with that of Great Britain, the British occupancy tax might be used in place of the property tax as the basic local tax.

The first of these possibilities involves a minimum of change in our existing fiscal pattern. A number of states, in fact, already have statutes making income a consideration in arriving at fair market value. Moreover, practically all states use income as a factor in arriving at the tax valuation of railroads and other public utilities. Income valuations are commonly supported on the ground that they remove the element of estimation and guesswork from our assessment procedure. It is also claimed that they promote greater ease, certainty and equality in assessments and that they eliminate the hardship of requiring an owner to pay taxes for years in which his property has made no income.

The validity of these claims depends to a considerable extent on the particular procedure followed in arriving at income value. One method that has been suggested is that the actual net income of each parcel of real estate be ascertained annually, and that this net income be capitalized at some fixed rate, say 5 per cent, to obtain the tax value for the year. This proposal merely means substituting the difficulty of ascertaining net income for the difficulty of ascertaining market value.

Anyone who supposes that the determination of net income is devoid of estimation and guesswork should consult the accountants who will

frankly tell him that income accounting involves estimates and judgments at every turn—judgments as to which expenses should be capitalized and which charged to income; estimates as to inventory valuations and rates of depreciation and obsolescence. Anyone who supposes that the auditing of an income return is easy should consult the Income Tax Unit of the Bureau of Internal Revenue. Finally, anyone who supposes that net income taxation is conducive to certainty should recall his feelings in preparing his last income tax return.

The British method of assessment does not, of course, require the annual determination of the actual net income of real estate but merely its presumed net income at intervals of five years. From the normal annual rent or gross value there are allowed certain deductions according to a schedule which varies with the character and value of the property. Use of presumed net income certainly simplifies the administrative problem, but from the standpoint of equity one is left to wonder what virtue a tax value based on the capitalization of presumed net income possesses over a tax value based on presumed market value.

Whether actual or presumed net income is used as the basis for capitalization, it will no doubt sometimes occur that the tax value thus obtained will exceed the known market value or the owner's estimate of the market value. Will owners who now feel aggrieved when their tax value exceeds the capitalized current income of their property feel any less aggrieved when

their tax value exceeds market value?

Tax valuations based on capitalized current income will indeed eliminate the hardship of having to pay taxes on unproductive property. But as long as there is no reduction in the total amount which the property tax is called upon to raise, what is saved by the owners of unproductive property will simply be added to the taxes of owners of productive property in the shape of higher tax rates. Moreover, unless tax rates are kept from exceeding the rate at which incomes are capitalized, income valuations will not protect the owners of productive property from the possibility of tax levies which exceed current income.

It is significant that the National Association of Real Estate Boards, which advocated income valuations in 1933, did not put this proposal forward as an isolated measure. The Association proposal was part of a six-point program which included state administrative control of local expenditure, an over-all property tax limitation of $1\frac{1}{2}$ per cent and the expansion of state and federal fiscal aids to local governments. The intent of all the companion measures was to secure a drastic reduction in the total burden of the general property tax.

Burden on Housing

Adoption of the British method of assessment might possibly be taken to mean the complete abandonment of the general property tax and the transfer of its present burden to a new type of levy similar in all respects to the British occupancy tax. As long as local tax requirements re-

main at their present level, this proposal scarcely merits serious consideration. About two-thirds of the yield of the British occupancy tax is derived from taxes on dwellings. Use of the occupancy tax as the sole means of raising the \$4,500,000,000 now derived from the general property tax would thus involve a tax of some \$3,000,000,000 per year on housing. The net result of such a shift would be to make our tax system more regressive.

Adoption of the British method of assessment might, finally, be taken to mean the employment of the occupancy tax as the basic local tax after appropriate fiscal readjustments had been made designed to cut down the volume of local taxation to something approaching the British dimensions. This is essentially what the United States Treasury Committee on Intergovernmental Fiscal Relations seems to have had in mind in connection with the suggestion cited by Mr. Collins at the beginning of his article.

The Treasury Committee in its recent report⁷ proposed the occupancy tax as a possible replacement or supplement to the general property tax, to be introduced step by step on a gradual and experimental basis. This proposal, however, was presented as one element of a comprehensive program which included measures aimed at reducing the present volume of local taxation.

Were the Treasury Committee proposals adopted to the extent of reducing American local taxation to

the British level, there is little reason to suppose that the occupancy tax would work any less well over here than it does in Britain. Under these conditions, in fact, one might hazard the opinion that our own property tax, whether based on income or on market valuations, would also give satisfaction.

U. S. Property Tax Sounder in Principle

HERBERT D. SIMPSON
Professor Emeritus
Northwestern University

FOR purposes of discussion we may ignore certain minor variations and assume that the cardinal feature of the British system is taxation of the occupant on the basis of his rental—actual or imputed—in contrast with our taxation of the owner on the basis of the capital value of his property. What are the essential differences in the impact of the two systems?

Both are property taxes, notwithstanding frequent reference to the British system as a tax on use. Our property tax measures property by capital value; the British "property tax" measures it by annual value. But annual value is just as intrinsically an attribute of property as capital value. It is only an American usage that limits property and property taxes to capital values. What then are the essential differences?

1. *As between owner and tenant.*

As between the owner and the tenant it is difficult to discover any

⁷*Federal, State and Local Government Fiscal Relations*, Senate Document No. 69, 78th Congress, 1st Session.

way in which the form of the tax will affect the final incidence of the burden. I do not say this because "the owner will shift the taxes to the tenant anyhow," or, conversely, because "the tenant will shift the taxes back to the owner." Both statements are current, and both are obviously inadequate. There are conditions under which the major part of the burden will be borne by building owners, and other conditions under which the tenant will bear the final burden.

These conditions will include the supply of building space, the demand for space, changes in building costs, the extent to which recent building operations have been governed by speculative factors, and sometimes still more complicating elements. But whatever the conditions may be, I am unable at the moment to discover any way in which they will be altered by the form of the property tax, assuming, of course, the same amount of taxation.

If this is true, there is then no problem of relative justice between owner and tenant, since, under any given set of conditions, the impact of the burden appears to be the same. (We are omitting for the time being consideration of the exemption of vacant land and idle property, where no owner and tenant relationships are involved.)

But we may hazard one qualification here. We are familiar with the fact that under our property tax the pressure of taxation on the owner of unimproved land frequently forces him to make improvements which otherwise he would not make or would delay indefinitely. Freedom

from this pressure would therefore relieve the market of this segment of supply, and to that extent should raise the general level of rents.

But there are two other factors which would seem to operate more powerfully in the opposite direction. The first arises from the fact that the pressure of taxation on the owners of older properties has forced an enormous demolition of improvements which were still capable of useful service. The absence of this pressure would preserve this segment of supply and to that extent reduce the level of rents.

The second arises from the greater security of ownership under the British system, the freedom from confiscatory procedures in the collection of taxes, and the freedom of the ownership itself from tax liability, all of which would afford substantial encouragement to a type of ownership which in this country is heavily penalized. I would hazard the conjecture, therefore, that under a given set of conditions the British system would offer substantially greater inducement to building and ownership, which would have the effect of reducing the general level of rentals—the owners, in accordance with familiar investment psychology, accepting a lower yield in return for greater security of yield.

2. *As between both owner and tenant on the one hand and the taxing authority on the other.*

The essential differences in the two systems lie not between the owner and tenant, but between the property on the one hand and the taxing authority on the other. These

differences have been discussed by Mr. Collins and other writers and need only be enumerated here. They would include the following:

(a) Reduced liability in times of decreased occupancy and rentals; that is, the flexibility of the system in its adjustment to the situation of the taxpayer—in contrast with the extreme rigidity or *inverse* flexibility of American assessment. In New York City assessments continued to increase for three years after the collapse of property values in 1929.

(b) Entire freedom from confiscatory procedures against the property.

(c) Ease and certainty of collection, with practically no problem of delinquent taxes.

(d) Exemption of vacant land and idle property.

(e) Perhaps we should add, reduced revenue from property taxes in times of depression because, to the extent that relief is afforded the taxpayer, the taxing authority must necessarily forego revenue. In this way, English municipalities automatically relinquish the "distressed" taxes upon which our local governments subsist for years at a time, with only Walrus tears for the victims.

If the summary above may serve to set out the essential differences—and lack of difference—between the two systems, what are the grounds for choice between them?

Theoretical Aspect

Theoretically I am obliged to hold that our property tax rests on sounder principle. Property ownership is a valid index of financial ability and is universally regarded as such—except, strangely, when discussing the property tax. Sometimes it may be a less accurate index than income, but sometimes it is more accurate. Of two men with \$5,000 income each, one of whom owns \$100,000

worth of property and the other none, the former certainly has an element of taxpaying ability not possessed by the latter.

Since, however, this analysis would seem to indicate that the final impact of both systems on the taxpayer is essentially the same, we may perhaps assume that both must now embody much the same principle, whatever their original theories may have been—with one exception. This is the exemption of vacant land and idle property. Here the difference in theory emerges visibly. And whatever considerations may be advanced, it is certain that American thought will not support the complete exemption of vacant land and unused natural resources.

One-third of the area of Chicago was vacant in 1930; much more of it is vacant now, and destructive taxation is partly responsible for this new increment of vacancy. But why one-third of the urban area should be completely exempt from any contribution to the city whose growth created its value is not clear. To Americans it doesn't make sense.

In fairness to the problem, however, we must concede that exemption of vacant land is not a necessary feature of an occupancy tax. It would be possible to set up an occupancy tax, within whose framework provision could still be made for reasonable taxation of vacant land and temporarily idle property. With this adjustment I would concede that any theoretical differences between the two systems would largely disappear.

Furthermore, the difficulties of administration and the collateral evils

associated with property taxation in this country have been such that we may cheerfully waive any theoretical superiority in return for a more workable system, if that can be found.

Administrative Aspects

The evidence is convincing that the British system has operated with greater flexibility, better adjustment to the taxpayer's situation, and better administrative results than we have attained in this country. How far the latter is a matter of the system and how far a matter of British civil service and administration is open to question. Mr. Collins speaks of difficulties being solved by "skilled assessors on each side of the table" and by "competent assessors serving the tax authorities." With competent assessors, supported by the tax authorities, almost any system will work.

It is not giving away any military secrets to say that we do not have these conditions in the United States. We do have some brilliant exceptions, but exceptions conspicuous by their rarity. If we do occasionally get a "skilled assessor" around the table, there will be a political boss sitting at the head of the table and a local political organization that must be served. With political practices as they are in this country today, particularly in the cities, it is difficult to foresee any material change in the quality of local tax administration.

Under these conditions the difficulties of applying an annual rental concept throughout the whole field of real estate and property taxation

seem almost insurmountable. Even the more standard types of urban property, such as office and apartment buildings, would involve the assignment of rentals to each tenant, with the proper allocation of operating, overhead, and maintenance costs. More difficult areas would include the department stores and large commercial properties; industrial plants, some of them gigantic in size; public utility plants and equipment; theatres; garages and shops, large and small, operated by their owners; farms, special types of agricultural operations such as stock-breeding, nurseries and seed farms, greenhouses, poultry, and so on. Finding a valuation for these properties is difficult enough. But for the ordinary local assessor to undertake to ascertain or impute a reasonable rental for each of these units, many of them situations in which no one ever heard of "rental" and would scarcely know what was meant by it, somehow seems beyond the range of practical undertaking.

This may be over-estimating the difficulties, but, strangely enough, I find in my collection of British assessment manuals indications that, under the variety and complexities of modern forms of property, the British themselves are finding new difficulties. For example, one authority, referring to the Finance Act of 1931, says:¹

Speaking generally, the land value will be represented by the price which a purchaser would pay for the land in the open market.

¹W. E. Wilkenson, *The Land Value Tax—A Guide to Part III, of the Finance Act*, p. 8.

This sounds suspiciously like the "willing buyer, willing seller" phrase of our own statutes.

Another manual states:²

The practice of valuing theatres and picture houses on a figure per seat has come into great favour, however. Sometimes hotels and boarding houses are valued per bed, and an attempt is made to value golf courses per hole.

We have our difficulties, but it is hard to see how these would be lessened by undertaking to "appraise" the beds in a boarding house; and it would require more than a competent appraiser to "assess" a difficult hole on a golf course.

Further on the British assessor is instructed:³

If examples of rents are rare . . . a percentage on capital value (i.e., the price the property would fetch in the open market) gives the minimum rent the purchaser would require . . . and is *prima facie* evidence of the rent he would presumably be prepared to give if he wished to become a tenant.

Here we have assessment on "annual rental," to be sure, but it is a rental derived unblushingly from capital value, and capital value in the sense of ordinary market value. If we have to go through all the processes of determining market value first in order to arrive at a rental basis, it is apparent that the problem of assessment is not simplified.

And finally, at pages 137-138, we are told:

The rental value of a hereditament

valued on structural cost is: A commercial rate of interest applied to the present day cost of reproducing the hereditament. . . . Buildings are valued on cubic capacity, i.e., the number of cubic feet they fill, taking outside measurements, this being the normal basis employed by a contractor in his estimates. . . . The most important feature of the building is the substantiality of it.

Then to aid the assessor in applying our "brick and mortar" formula, a table of cubic foot costs for various types of structures is appended, which, except for differences in costs, might have been derived from any American manual.

Some British Features Good

In short, under the changing conditions affecting the forms of property and the ownership and operation of property, the traditional English methods are becoming less applicable. It would be a strange irony, indeed, if we should abandon our system for the English, just at the moment when the English find it necessary to shape their assessment technique in the direction of our own. It is a mistake to which great minds are prone, like Bacon laboriously translating his essays into Latin, in order to preserve them, just at the moment when Latin was to be replaced by native English as a vehicle for preserving the greatest literature of the world.

But whatever we may do about the British system as a whole, there are three features of British practice which we may borrow, with enormous benefit to ourselves.

The first is a lesser dependence upon local property taxation of any kind and a larger reliance upon broader types of taxation that can

²F. A. Amies, *The Law and Practice of Valuation for Rating*, p. 66.

³*Ibid.*, p. 63.

be administered by the states, with allocation of portions of the revenue to the local governments.

The second is a larger reliance upon income, in the form of capitalization of income, as a factor in determining the valuations of property. This is a technique available to assessors, so far as the writer is aware, in every state in the Union, subject only to reasonable limitation imposed by the courts.

The third is the more flexible adjustment of assessments to the actual course of property values, in contrast to the rigid maintenance of assessments to suit revenue needs, regardless of the trend of actual values.

If we can incorporate these features, we shall be making substantial progress and may perhaps look with complacency upon the British appropriation of our "brick and mortar" method, where there is no other way to determine the "substantiality" of a hereditament.

Other Opinions

EDMUND A. NIGHTINGALE

*School of Business Administration
University of Minnesota*

ANY suggestions relating to the substitution of the British system of assessment of real property for the existing American system should be considered only in the light of the full implications of such a fundamental change. Comments on the British rating system will be restricted to that of England and Wales.

Ratable value of industrial hereditaments used for industrial pur-

poses (factories) and freight transport hereditaments used for transport purposes (railways) is defined at only 25 per cent of net annual value thereof by the Local Government Act of 1929. These industrial and freight transport properties accounted in 1938-39 for only £9,571,832 of the total ratable value of £310,781,944 in England and Wales. Agricultural land and buildings—excluding dwellings, vacant sites and unoccupied properties—any optional compounding arrangements excepted — contribute nothing in the general case to meet the cost of providing local services.

Steadiness in the aggregate of ratable values of the local unit of government is apparently regarded by Mr. Collins as a *sine qua non* of the rating system. Other British authorities, however, emphasize the advantages of stabilization of rates (shillings and pence per pound of ratable value) as a psychological factor which encourages the development of industrial and commercial enterprises.

Fiscal adequacy, however, is generally regarded as one of the basic criteria of any major tax. Rate collections in England and Wales during the last five years have averaged around £200,000,000. According to the 1942-43 *Summary Report of the Ministry of Health*, rates amounted to only one-third of the income side of the revenue account of the local authorities in 1939-40. National government grants and reimbursements were £181,899,737 or about 30 per cent.

The report of the Bureau of the Census on the finances of 92 leading American cities for 1942 indicates

that taxes accounted for 75 per cent of the general revenues of these cities; property taxes alone supplied 65 per cent of general revenues. Local units of government in agricultural areas still rely upon property taxes as the chief source of revenue.

Notwithstanding admitted administrative weaknesses in American property assessment, substitution of the English rating system and its derating provisions for certain industrial, freight transport, and agricultural properties would raise serious fiscal questions. Losses in revenues of the local units would undoubtedly have to be made up through grants by the state governments, financed presumably by increases in state taxes excluding any existing levies on property. It is even conceivable that some state governments might look to Washington for funds.

Those familiar with the proceedings of the annual conferences of the Incorporated Association of Rating and Valuation Officers, the Institute of Municipal Treasurers and Accountants, the representations of the Central Valuation Committee, the recent I. A. R. V. O. interim report on the rating system, and the unsuccessful efforts of the London County Council to get the British government to introduce legislation which would empower local authorities to levy a rate on site value are fully aware of British criticisms of the weaknesses and incidence of the existing rating system. Significant lessons in administration, however, can be learned from the able career men who are the rating and valuation officers in the more important local units.

LAWRENCE G. HOLMES, *Secretary
National Council
of Real Estate Taxpayers*

PROPERTY taxation based on capital value (*ad valorem* taxes) releases forces which are economically and socially undesirable.

Property taxation based on the usefulness of property and measured by the amount paid for that use—occupancy tax principle—avoids those undesirable effects and still provides adequate and stable revenues for essential government services.

The American *ad valorem* tax is levied against the physical property and against ownership of property regardless of its productivity or the ability of the owner to pay. This was workable in the past. Sensationally increasing population in America created demands for real estate which produced annual gains in property values enough to offset annual increases in *ad valorem* taxes. The fundamental weakness of the tax on capital value became apparent when the population pressure began to ease off which, with other economic factors, caused the financial slump starting in the 30's. Tax foreclosures against billions of dollars worth of private assets is one of the visible results. Its concomitant threat is complete socialization of land through this forced reversion to government ownership.

The dual principle on which occupancy taxation is based avoids these pressures and unhappy results. First, the property assessment is based on the productivity or "value-in-use." Second, the levy is directed against

and paid by the user, whether he be owner or renter. The physical property is not taxed. The tax is against the earning power or productivity, not against bricks and mortar. The user of the property is responsible for paying the taxes, not the owner if he is not the occupant. Hence private ownership rights are inviolate against despotic taxation or conspiracies to use the power of taxation as a power of destruction.

Other injurious forces which are unleashed by *ad valorem* theories are controlled under the use taxation principle. For example, *ad valorem* taxation creates the need to build on vacant land just to try to pay the taxes—so-called taxpayers. The use tax system says in effect, "No use, no tax."

Only the United States and Canada hold on to the *ad valorem* tax. England has had 343 years experience with the occupancy tax, so the idea can hardly be called a radical, new experiment. The social and economic results seem much preferable to the *ad valorem* results. The fact, for instance, that private ownership is safeguarded from tax forfeiture is in itself enough to recommend the principle to a democratic culture.

In these three centuries administrative and technical difficulties have been met and solved. America, therefore, could start with the benefit of long laboratory experience to guard against technical errors.

Such a start is being made in the United States. Modern tax assessors are coming more and more to depend on the income of real property as the cornerstone of their valuation

computations—one of the keystones of the occupancy tax principle. Fifty per cent of the U. S. property tax problem will be solved when dollars-and-cents facts replace esoteric theories of valuation for tax purposes.

ALBERT W. NOONAN

Executive Director

*National Association of Assessing
Officers*

SHOULD the United States adopt the British system of assessing? My answer is "No."

It is my understanding that under the British system farm lands are exempt, all vacant lands are exempt, unoccupied improved properties are exempt at the option of the owner, while industrial and public utility properties pay only one-fourth the rate charged occupants of residential properties. The tax is a legal obligation of the tenant, not the owner. If not paid, the tenant's personal property may be seized, or he may even be sent to jail, but the owner incurs no penalty. In other words, the burden of supporting local government is imposed almost entirely on the resources of the tenant population. We seriously doubt if such overzealous regard for landowners would be tolerated long in America.

Mr. Collins attributes the continued success of the system in England to two factors—tradition and the pronounced stability of tenants—both of which would be absent in this country. Perhaps it is also due to the fact that the tax has not been subjected to severe strain, in that many municipal functions in England—education, safety, health, etc.—

are heavily supported by grants from national revenue, whereas in America such services are financed almost entirely from the property tax. According to one report, national grants were 47 per cent of municipal revenue in 1939-40.

In his article Mr. Collins mentions that in certain districts the owner, rather than the tenant, pays the taxes, whether the premises are occupied or not. It should be noted that this is a matter of agreement rather than legal obligation. Some districts permit such agreements where the ratable value of dwellings is below a certain but quite small amount and the rent is paid more frequently than quarterly. In consideration of his agreement to pay, the owner is granted discounts ranging from 5 per cent to 20 per cent. Thus, if the properties were almost continuously occupied, it would be to the advantage of the owner to enter into such an agreement, otherwise not.

These are features which I don't believe the American people would like. In passing, it should be noted that there has been considerable agitation in England in recent years to supplement the occupier's tax with a site-value tax or to abolish it and substitute a municipal income tax, but neither proposal has yet acquired sufficient support.

One feature of the British system which deserves consideration is the handling of personnel. Space does not permit much comment except to say that great emphasis is placed upon technical and administrative competence, security of tenure, adequate compensation and a promo-

tional system unhampered by residence qualifications—all of which is encouraging to career service. On the other hand, we have noted many organizational defects which would be as undesirable here as apparently they are in England.

HARLAND C. STOCKWELL
Assistant Executive Secretary
Chicago Civic Federation

I BELIEVE that the present *ad valorem* system should be basically maintained in the United States, but that more weight should be given to the income factor than in the past in determining the value of the property for tax purposes. Where both parties agree, the practice of making "net" leases, wherein the lessee agrees to bear the property tax burden, might be developed. A practice of indicating on every rent bill the amount or percentage represented by the property tax would be desirable. This would tend to make the tenant tax-conscious and aware that he is contributing to the cost of government.

I am definitely of the opinion that the British system of assessing—wherein the occupant rather than the owner pays the tax—should not be applied to large local governing units in the United States.

The antiquity of the British system—customs built up and observed over hundreds of years, the relative stability of British communities, competent technical staff assistance down the line, relative steadiness of rental values, all these factors have apparently been conducive to the develop-

ment of a system which works reasonably well in practice in Britain. Comparable factors do not exist in most United States cities.

CUTHBERT E. REEVES

Consulting Engineer, Buffalo

THE British system of assessing realty should not be adopted in the United States, but certain phases of its operation might well be followed in determining valuations for assessing here. Under the British system the central (federal) government makes the same demand upon an owner-occupier for an estimated rental as it does upon the rental income flowing to an owner from tenants. For ordinary property, no deduction is allowed for depreciation, perhaps because structures there have greater longevity. The first cited rule would set poorly with our homeowners and those who promote home-ownership; the other would be deemed harsh by operators and investors in real estate.

This Forum probably is more concerned with taxing by local government, the principal aspects of which considered herein are equability and collectibility of the levy. The British system exempts agricultural land and certain industries, but we, likewise, give preferential treatment to some classes of realty. Important differences are that bare land pays no local tax, thus fostering the possibility of unearned increment, and in England and Wales vacant improved property also is exempt. In Scotland, where the owner pays one-half the local tax, that half is collected

whether the property be occupied or vacant. This conforms with the belief of many here who think that governmental costs specifically beneficial to property should be distinguished from expenditures for social services to people.

Many of those who favor discarding our *ad valorem* taxing seem to think that the determination of local assessments according to income productivity would be simple and infallibly equitable. Some insight into the difficulties and uncertainties can be gleaned from Mr. Collins' article. It appears, moreover, that such familiar terms as "comparative method," "contractor's rent or substituted building method," and "accountancy, competitive value or profits method" are involved in the British tax appraisal procedure.

As to collectibility, we can readily agree with Mr. Collins that the great fluctuation in rentals here would periodically jeopardize municipal financing, and that the more migratory propensity of our renters is another deterrent. Can we afford to have much real property tax securable only by controls against moving personal belongings from their taxed situs and from one state jurisdiction to another, knowing the difficulty now experienced in collecting taxes levied directly upon those same chattels?

The need here generally is adoption of methods whereby rental and other income-productivity data would be systematically collected, analyzed, and transmuted into capital value to be the base of, or at least a check upon, assessed valuations. That needs no enabling legislation, though in

some municipalities mandates may be required. Progressive assessors already are resorting to the same income tests that are applied by appraisers in private practice.

CARL P. HERBERT, Director
*Saint Paul Bureau
of Municipal Research*

OUR adoption of the British system of taxing real estate would not remove the problems underlying its ownership today. Certainly it would not result in lowered taxes against property. Only a revision of our tax system, placing less demands for governmental revenues upon the real estate tax and more upon other tax sources, will do that. The question posed, therefore, is whether the British system distributes the cost of government more equitably than does ours, and whether its adoption would create new problems that militate against it in this country.

In my opinion the British method of assessment is not superior to ours. The net results are approximately the same, even though the procedures used differ greatly. Ours are direct and relatively simple; theirs are involved and cumbersome, costly and discretionary.

If the plan were put into operation by us, theoretically the incidence of the tax would be shifted from the owner to the renter; it is doubtful, however, whether practically that would happen, whether the net income to the owner would not be approximately the same under either method of taxation.

Since under the British system vacant land and unoccupied improved

property (with some exceptions) are not taxed; its adoption by us would cause a shifting of that part of the tax burden now borne by owners of such property to those of productive property, and the fairness of this may be questioned. Then, too, real estate values would be disturbed continuously.

Nothing so far advanced in its favor convinces me that we should adopt the British system.

DIXWELL L. PIERCE, Secretary
California State Board of Equalization

SHORTCOMINGS of the general property tax have long plagued the cities and counties of the United States. Pressure of revenue requirements and federal and state preemption of other tax sources have made the plight of the local governments seem unavoidable. But is it?

What Arthur Collins has said concerning British experience with occupancy taxes may point the way to substantial improvement in our local tax structures.

Related inflexibly to value, applying mainly to real estate and collected from the owner, the general property tax leaves much to be desired both as to taxpaying ability and revenue productivity. Measured by rentals or their equivalent and paid by those who use the real estate, the occupancy tax is more closely related to ability to pay and is more nearly certain of collection.

Complete and immediate substitution of occupancy taxes for property taxes might prove too drastic a change. It would seem wiser to begin by utilizing the occupancy tax

as a supplemental revenue source on a limited scale. This might involve duplication by requiring two tax bases for the same property but the defect would be more apparent than actual since rental value is a factor in the ascertainment of market value.

In short, Americans could profit from British experience with occupancy taxes, utilizing this local revenue source without major disturbance of existing tax structures. It would seem to be an experiment well worth making.

J. M. LEONARD, Director of Research
*Detroit Bureau
of Governmental Research, Inc.*

AGITATION for adoption of the English system of taxation of real property—on an income basis—was somewhat a depression phenomenon. It was claimed during the early 1930's that it made real property depression-proof—no income, no taxes. But these early enthusiasms were founded on only a remote understanding of the functioning of the English system.

The great appeal was: no taxes on vacant property, no taxes on improved idle property and taxes in proportion to depression rentals. This is all true, but it represents only the high spots of the system, and overlooks all of the difficulties which are a part of any assessing system when applied to a complex economy.

The English system advocated as an "ideal" has found favor only in England. After 200 years experience with it the English colonists did not import it to America. Nor have the British dominions followed the old

country's assessing system. Even the neighbor Scotland has modified it considerably—vacant property is assessed at half rates.

The income assessment system, after 350 years, is found only in England. But that does not mean the capital value system current in America is perfect. In fact, there is little in our homespun and often bizarre assessing methods to which we can point with pride. But in the past twenty years there have been signs of better days to come. However, it is only after a reasonable period of development of present techniques, which are now meeting with favor among more progressive administrators, that any definite conclusion can be made of the relative efficacy of the English versus the American system of taxing real estate.

HERBERT U. NELSON
*Executive Vice President
National Association
of Real Estate Boards*

I FAVOR the British method of taxing annual rental value and holding the occupant of a property responsible for the tax payment, as against our own method of *ad valorem* taxation on real estate.

The British system does not necessarily result in lower taxes. It does, however, result in fairer taxes. The family which is the beneficiary of local services given by the local government pays for these services directly. The tax is essentially a tax on income and its amount is measured by rent-paying ability. Therefore, the tax is not regressive as is

(Continued on page 349)

City Utilities Serve Neighbors

Publicly-owned transportation, electric, water and sewage plants supply cities and towns in their metropolitan regions; such service sound basis for postwar expansion.

By **JOHN BAUER**, Director
American Public Utilities Bureau

EDITOR'S NOTE.—This is the second in a series of four articles by Dr. John Bauer on public utilities in metropolitan areas. The first, "Utilities Need Regional Basis," in the June issue, discussed the present status of the principal utilities in relation to the central city and its surrounding territory, with particular emphasis on effective postwar planning. Article three will deal with metropolitan district organization, and article four will consider the type of central city and district organization which appears most suited to regional needs.

THIS article reviews the municipal provisions that have actually been made for utility services by cities of 100,000 population and over. Information is based on 43 replies to questionnaires sent to the mayors of the 92 cities of 100,000 population and over.¹ All but two of the cities own and operate one or more of the chief utilities—water supply, sewage disposal, electricity, gas and transportation.

City Water System

The tabulation on page 343 summarizes provisions made by the various cities for water supply. It shows how the systems are organized, whether outside metropolitan service is furnished, whether rate differences

exist, and whether the outside rates are subject to control by the state public utility commission.

In the great majority of instances the main city owns and operates the entire water system, the basic utility in the community. Of the 43 cities all but four have complete municipal ownership. The exceptions are Oakland, Bridgeport, Wichita and Peoria. Oakland is served by a district system which is publicly-owned and operated. Wichita owns the supply, purification and transmission plant but distribution is private. Only Bridgeport and Peoria are served entirely by private companies.

With few exceptions the city-owned systems furnish outside metropolitan service which is usually predicated on agreements with neighboring communities and sometimes depends on legislative authority. The arrangements are various. In most instances, however, the chief city provides the water supply for practically the entire region, but distribution and rate provisions differ widely. Probably no city stops sharply at its own boundaries, furnishing no exterior service.

Four cities report no regular provisions for outside service—Los Angeles, Albany, South Bend and Duluth. The others provide the bulk of the water used in surrounding districts. The supply is usually de-

¹Forty-five replies have been received, but only 43 are available for use since it was impossible to identify the other two cities. For the contents of the questionnaire see Dr. Bauer's previous article, *NATIONAL MUNICIPAL REVIEW*, June 1944, p. 277.

	Population	Type of Organization ^a	Outside Service	Outside Rates	Control by State Commission
Chicago, Ill.	3,399,000	D	Yes	Same	No
Detroit, Mich.	1,623,000	B	Yes	Higher	No
Los Angeles, Cal.	1,504,000	B	No	—	—
Cleveland, O.	878,000	D	Yes	Higher	Yes
Milwaukee, Wis.	587,000	D	Yes	Higher	—
Buffalo, N. Y.	577,000	D	Limited	Vary	No
Minneapolis, Minn.	492,000	D	Yes	Higher	No
Cincinnati, O.	456,000	D	Yes	Higher	No
Newark, N. J.	430,000	D	Yes	—	No
Kansas City, Mo.	399,000	D	Yes	Higher	No
Houston, Tex.	385,000	D	Limited	Higher	No
Seattle, Wash.	368,000	D	Yes	Higher	No
Rochester, N. Y.	325,000	D	Limited	—	Yes
Denver, Col.	322,000	B	Yes	Higher	No
Portland, Ore.	305,000	D	Yes	Higher	No
Atlanta, Ga.	302,000	D	Yes	Higher	No
Oakland, Cal.	302,000	District organization			
Toledo, O.	282,000	D	Yes	Higher	No
Birmingham, Ala.	268,000	D	Industr. Plants	Same	No
San Antonio, Tex.	254,000	B	Yes	—	No
Providence, R. I.	254,000	B	Yes	Same	Yes
Dallas, Tex.	250,000	D	Yes	Higher	No
Dayton, O.	211,000	D	Yes	Higher	No
Oklahoma City, Okla.	204,000	D	Yes	Higher	No
San Diego, Cal.	203,000	D	Limited	—	No
Worcester, Mass.	194,000	D	—	—	—
Richmond, Va.	193,000	D	Yes	—	No
Miami, Fla.	172,000	B	Yes	—	No
Long Beach, Cal.	164,000	B	Yes	Higher	No
Des Moines, Ia.	160,000	B	Yes	Higher	No
Bridgeport, Conn.	147,000	No city system			
Albany, N. Y.	131,000	D	No	—	—
Kansas City, Kans.	121,000	C	Yes	Higher	No
Wichita, Kans.	115,000	City supply, but private distribution			
Wilmington, Del.	113,000	B	Yes	Higher	No
Knoxville, Tenn.	112,000	B	Yes	Higher	No
Reading, Pa.	111,000	D	Yes	Higher	Yes
Tacoma, Wash.	109,000	D	Wholesale	—	—
Tampa, Fla.	108,000	D	Yes	Higher	No
Sacramento, Cal.	106,000	D	Limited	Higher	No
Peoria, Ill.	105,000	No city system			
South Bend, Ind.	101,000	D	No	—	—
Duluth, Minn.	101,000	D	No	—	—

^aD—regular city department; B—separate board or commission; C—special corporation owned by the city.

livered to communities which have their own distribution systems, but also to other kinds of local distributing units including private companies. To considerable extent the central city itself also distributes in the surrounding territory and fixes the rates for service, usually about

50 per cent above inside rates. Where there is separate local distribution, the city commonly charges the same wholesale rate as for correspondingly large inside sales to industrial customers, or somewhat higher, and then the distributing unit fixes the rates to the customers. In four instances

outside rates fixed by the city are subject to approval by the state utility commission. For only three systems are the outside rates reported to be the same as in the city.

Exact provisions for supply and rates are varied. Individual summaries for some cities, however, selected for size, geography and local conditions, will furnish a cross-section of relations existing between the chief cities and their surrounding territories.

Outside Service Arrangements

Detroit has agreements with a number of suburban communities to furnish city water. In some instances it sells to the government of the community served, which then distributes to local users and fixes rates; in others, it serves the customers directly. Most of the water is furnished wholesale, at higher than city rates, "based on the theory that Detroit has accumulated a large investment in the water supply system which should be compensated for."

Cleveland supplies water to suburban communities by separate contracts. Outside rates are higher than those in the city because "of capital investment costs financed as general city obligations." Rates are subject to approval by the state utility commission.

Buffalo supplies water in only a few cases outside the city limits. Recently, to facilitate war production, interconnections have been made between the city distribution system and that of Western New York Water Company, a private utility which serves surrounding areas. Rates to outside customers vary.

Some pay approximately the same as city rates on the theory that the service connections are made within the city limits, but others are charged approximately twice city rates.

Cincinnati has contracts with suburbs in the same county, providing for local water service at 50 per cent higher rates than in the city, but the mains outside must be provided by the applicants.

Newark delivers water in bulk, under contract, to several suburban communities which operate their own distribution systems and fix local rates. In one small area it sells directly to outside customers. It has developed in effect a regional water supply system, with collection reservoirs and transmission mains far beyond the city limits.

Kansas City, Missouri, sells water generally at city limits to water companies, districts and associations for use outside by about 25,000 customers in a territory of 242 square miles. Outside rates are about one-third higher than those in the city.

The suburban communities of Houston have their own water systems, but rates for users of city water just outside the city limits are double city rates.

Rochester makes no regular provision for serving suburban communities, but about 25 outside customers are served at rates higher than those in the city. Some residential portions of the city and some city industries, and most of the suburban communities, are served by the Rochester and Lake Ontario Water Company. Rates for both the city department and the private company must be approved by the

state Public Service Commission.

In Portland water is sold wholesale to outside towns, water districts and water companies, and is distributed by those units to their customers. Wholesale rates to outside purchasers are approximately 50 per cent higher than city rates for like quantities.

Atlanta supplies water outside the city limits according to ordinances and regulations passed by the city council. Rates are generally double the inside rate for domestic customers and 50 per cent higher for wholesale users; but where water is supplied to a neighboring municipality there is a bulk rate, with retail rates fixed by the local governments. The system has developed sufficient capacity for the entire territory, and furnishes one of the city's chief sources of revenue.

Birmingham supplies industrial plants in its area at the same rates as within the city. The San Antonio system covers the metropolitan area. Rates are fixed according to zones: the first consists of city territory; the second includes all service outside the city at higher rates.

Dallas suburban areas are supplied by the city system, usually at rates fixed by contract; individual users pay double inside city rates. San Diego makes no outside provision for service except that it supplies some federal agencies and certain individuals served by the predecessor company, at higher than city rates.

Miami provides practically all water production for its metropolitan territory. Miami Beach has its own distribution, and in turn wholesales a portion of the supply purchased

from Miami to Surfside and other municipalities. In Coral Gables distribution is furnished by a private company. In some communities, including Miami Shores, Miami distributes water locally just as within its own borders. For such direct outside service the rates are the same as in the city; otherwise the rates are fixed by the distributing units.

Albany, with one minor exception for which city rates apply, furnishes no water outside the city limits. Kansas City, Kansas, sells at the city gate to township distribution systems, which blanket the suburban areas and fix local rates.

Reading wholesales to municipalities and companies in adjacent territory; it also retails along its own supply lines outside the city, and it owns and operates the "Angelica" system as a separate water company. Outside rates are 10 per cent higher than those in the city.

Form of Organization

Twenty-eight city-owned water systems are operated through regular city departments, usually under the immediate direction of a superintendent or manager. Ten are under the control of a special board or commission which appoints the plant manager. One reports the corporate form of organization, again the special board appointing the superintendent or manager.

Chicago, the largest city answering the questionnaire, furnishes water service through a regularly constituted department of the city government.

Milwaukee has a bureau within the public works department with

a superintendent in charge. Departments within the bureau are collection, construction, purification plant, meters, pipe yards, distribution, power plant and pumping stations.

Minneapolis water supply is a subdivision of the city engineer's department. Seattle has a separate city department. Oklahoma City has a department in charge of a superintendent who is responsible to the city manager.

In Worcester the bureau of water is in charge of a superintendent who is responsible to the public works commissioner. In Richmond the city system is managed by the director, appointed by the mayor.

Tacoma has a commissioner of public utilities who appoints the superintendent of the water division. The Tampa system is in charge of a superintendent appointed by the mayor. Operation of the Sacramento department is directed by a superintendent responsible to the city engineer, and so to the city manager. In Duluth the water supply, along with gas and sewage disposal, is under the commissioner of public utilities, who appoints the manager of the three departments.

In contrast to the prevalent departmental system, there is the separate board or commission form of organization. This consists normally of a small control body of three to five members, appointed by the mayor or the city council, or elected. The terms of appointment or election are often staggered, and the make-up is intended to be wholly functional and non-political. The board has full responsibility and authority over properties and oper-

ation, subject to underlying legal provisions. It in turn appoints a manager or superintendent who has responsibility for efficient planning and operation, subject to the policies fixed by the board.

In Los Angeles the board of water and power commissioners consists of five citizen commissioners appointed by the mayor, each serving for a term of five years without compensation except a nominal fee for attending meetings. The board appoints the general managing head of the entire department, also individual managers, one in charge of water and the other in charge of power operations.

In Denver the mayor appoints the board of water commissioners, each for a term of six years expiring at different times, which has full charge of the water system. Providence has a board which consists of the city treasurer and four other members appointed by the mayor, subject to the approval of the city council. In Long Beach the system is controlled by five commissioners appointed by the city manager, subject to approval by the city council.

In Des Moines five members are appointed by the mayor and council, each for six years; this board in turn appoints the general manager of the water system. In Knoxville the power and water board has complete jurisdiction over all operations and funds of the electric and water systems; it is a nonpartisan and independent agency of five members, each serving a term of ten years; vacancies are filled on nomination by the city manager, subject to approval by the remaining members of

the board, and then subject to confirmation by the city council. In Wilmington, Delaware, there is a three-member board of water commissioners appointed by the mayor.

Only one city, Kansas City, Kansas, has a corporate form of organization. Here the water system is in charge of the board of public utilities of five members, elected quadrennially at regular city elections, each paid \$100 a year. The board controls not only the city water system but also the municipal electric and airport facilities. Except for the corporate formality, this form of organization is essentially the same in its policy and administrative provisions as the special board or commission system.

Sewage Disposal

The questionnaire, unfortunately, did not call separately for information on sewage disposal. It had rather assumed that the organization for water would in general be applicable also to sewage systems. While this is the usual situation, in some cities there are distinct provisions for sewage handling, and in ten instances sewerage information was furnished although not directly called for.

These ten reports show that the city organization for sewage disposal is usually identical with that of the water system, especially within the city itself. Outside service likewise is furnished, generally on the basis of agreements with other municipal units. In one instance there is district organization; in another there are district trunk sewers to which the individual municipal

systems are connected; and a third in which city and district provisions are coordinated.

There are, however, instances where the provisions and organization for sewage are necessarily different from those for water. Where the old methods of discharge into rivers or adjacent waters are still in use, the sewage layout must be determined in relation to the stream flow or location of the lake or other body of water. Where modern disposal plants have been constructed special facilities are required, and construction and operation differ altogether from the water system.

In the case of Chicago the water system is owned and operated directly as a city department, but the Chicago sanitary district has been established to furnish sewer service to the city and surrounding area.

In the case of Milwaukee there is a hybrid organization as between the city and the surrounding territory. The Milwaukee city sewage commission, five members appointed by the mayor, builds and operates the disposal works and intercepting system within the city. Then the county metropolitan sewer commission, three members appointed by the governor, builds the main sewers, pumping station, etc., outside the city, but on their completion turns them over to the city sewer commission for operation and maintenance.

In Buffalo, when the sewage treatment plant was built, about 1937, the sewers were transferred from the department of public works to the Buffalo sewer authority, a special corporation which owns, operates and maintains both the sewer sys-

tem and the sewage treatment plant. Except for minor areas the system is virtually limited to the city itself. Most of the surrounding villages and towns have special sewer districts, whose systems are designed to flow away from the city to a sewage treatment location whose effluence empties into nearby streams.

Newark represents another type of situation. The city owns its own sewer system, but the Passaic Valley Sewer Commission owns and operates a trunk sewer which serves the municipalities in the metropolitan area.

Municipal Electric Systems

Of the 43 cities for which comparative utility information was obtained, eight cities operate their own electric systems. The others are served exclusively by private electric companies. The eight are Detroit, Los Angeles, Cleveland, Seattle, San Antonio, Kansas City (Kansas), Knoxville and Tacoma. In Sacramento municipalization approved by the voters is in litigation.

Of the eight municipal systems, the one in Detroit serves only the city government, furnishing energy particularly for street lighting; otherwise both city and outside electric consumers are served by the Detroit Edison Company.

The Cleveland plant supplies a limited part of the city, together with the municipal government, but the bulk of electricity in the city and locality is supplied by the Cleveland Electric Illuminating Company.

The Seattle plant operates both in city and district territory, but it is in competition with Puget Sound Light and Power Company. Complete or substantially complete

municipal service exists in Los Angeles, San Antonio, Knoxville, Tacoma and Kansas City, Kansas.

In four of the eight cities a regular municipal department is charged with electric plant operation. Three have special boards or commissions under which a manager has responsibility for regular operation, and one has the corporate form.

San Antonio acquired its electric and gas properties only last year from a private company; it has a board of five trustees, the mayor serving *ex officio*, which has control of both the electric and gas systems. In Kansas City, Kansas, a single elected board has control of the electric as well as the water system.

Six of the eight systems furnish service to outside communities on the basis of agreements. In all but one of these service is furnished directly to consumers. Tacoma sells only wholesale to adjacent municipalities which have their own distribution systems.

As to outside rates, Cleveland fixes them by agreement, Seattle, Kansas City and Knoxville charge the same as within the city, and San Antonio has zone rates. In all instances the cities themselves fix rates, but in the case of Cleveland rates are subject to review by the state utility commission.

Municipal Gas Plants

Of the 43 cities only four report the ownership and operation of municipally-owned and operated gas properties: Houston, San Antonio, Richmond and Long Beach. Richmond produces and distributes manufactured gas. The others have natural gas and are thus limited to

distribution, obtaining the gas supply from private transmission companies at contract wholesale rates.

Only San Antonio and Long Beach report the furnishing of gas to outside communities. Otherwise the service is intracity or virtually so. This situation results from the character of the utility in that the service is almost inherently limited to the central city, with no great possibility or need for extension to other areas.

Transportation Systems

Of the 43 cities, only three have municipally-owned and operated transportation systems—Detroit, Cleveland and Seattle. In addition, under war conditions Tacoma is operating one bus line in the city. For the most part mass transportation is provided by private companies, both within the city and in the metropolitan territory.

In the three cities with municipal transportation, the service is exclusively municipal without private company competition. Detroit has a regular city department. Cleveland and Seattle have special commissions or boards to which the operating managers are responsible. All three systems furnish transportation to outside communities on the basis of agreements, and as taken over from the previously existing private companies.

In all cities which own and operate public utilities, the systems must not only assure adequate and economical service within the city but also assume responsibility for adjacent territory. Most important, their post-war plans must include consideration of needs, organization and management for the metropolitan area.

OCCUPANCY TAX

(Continued from page 341)

the case with our *ad valorem* tax.

Our method of taxing the capital value of property and making the tax a lien against the property itself is often translated into a capital levy. There are times when the property owner can pass the tax on to the tenant. There are other times when he cannot, and then a process of confiscation begins. Our own procedure for establishing capital value of real property for tax purposes is neither candid nor realistic. Tax valuations are based on tax needs rather than appraisals. At present in several of our great cities tax valuations exceed current market value by at least one-third.

Annual rental value, on the other hand, can easily and accurately be determined. In the case of properties rented, the facts are self-evident. In the case of owner-occupied properties, the bases of comparison are so broad as to make an accurate valuation possible without difficulty.

Yes, indeed, the British tax system would be preferable to that which we have. It would serve to drive home to the American people, as nothing else can, that there is the equivalent of a 20 per cent sales tax on shelter and until we can reduce this tax we will have to get along with poor housing for the masses. If we had a 20 per cent sales tax on food, undoubtedly the result would be undernourishment for great masses of people. The same holds true with other necessities. Let us therefore adopt the British system and bring the facts out into the open.

Researcher's Digest: July

Public housing in Pittsburgh; New Haven considers postwar public works financing; Massachusetts explodes a fallacy; municipal salary figures for Washington, Oregon.

By MIRIAM ROHER

NOT only whether the houses were any good, but also whether the plan of administrative organization had merit, are the questions which concerned M. Nelson McGeary in his study of *The Pittsburgh Housing Authority*, made for the **Council on Research, Pennsylvania State College**.

Professor McGeary traces the history of five years of the Authority, during which time it built three low-rent housing projects comprising a total of over 3,000 homes, to say nothing of four war-housing projects which are not under consideration here.

The author comes out with a strong "Aye" for the authority form of organization. He finds that singleness of purpose is an aid to good administration, while excessive independence and the much feared freedom from democratic control did not materialize, chiefly because the Authority needed a lot of practical assistance from the Mayor and the City Council in doing its job.

He raises the question of whether membership on a Housing Authority does not take more time than an unpaid member should reasonably be expected to give, but he is unmistakable in his praise for the sincere hard work of these particular members.

Professor McGeary's sharpest comments have to do with the United States Housing Authority, which he accuses of exercising far more control over the city authority than the law and ordinary caution demanded. By its power of the purse, the USHA tended to be dictatorial, the author says. And at the last, he wonders whether true decen-

tralization is ever possible when a federal agency exercises supervision over a local unit to whom it loans or grants substantial sums of money.

After the War Is Over

The need for postwar public works is, in many quarters, a foregone conclusion. But how are we going to pay for them? **New Haven Taxpayers** has made a detailed analysis of *The Bonded Debt of the City of New Haven* in order to determine what will be the financial condition of the city after the war, and also in order to find out how admirable a municipal financial weapon is borrowing.

The Bureau comes to the conclusion that pay-as-you-go is the rule by which the city should live from now on. The city, however, will unfortunately be faced almost all at once with the job of paying back 88 per cent of all present outstanding bonds. Hence, the bureau recommends refunding to carry the city over the hump when it is changing over to pay-as-you-go for financing new improvements.

The matter of postwar public works also concerns the **League of California Cities** which has published, over the signature of Executive Secretary Richard Graves, an eloquent complete issue of its *News Letter* devoted to the reasons why cities should plan in detail now for public works after the war. A bill currently before the special session of the California state legislature would allocate to cities, on a population basis, grant-in-aid funds for engineering plans and surveys for post-war public works projects.

Insignificant

Almost in the man-bites-dog category is the finding of the **Massachusetts Federation of Taxpayers Associations** that *Federal Tax Exempt Property in Massachusetts* is "an insignificant feature in municipal finance in this state." The Federation's sortie into real facts and figures showed that "although the reported value of exempt federal property has increased about \$124,000,000 in five years the taxable value actually removed from the tax rolls during that period is only approximately \$5,500,000. During this same period taxable values shrank in total approximately \$374,000,000 which dwarfs the loss due to the tax exemption of properties acquired by the federal government." In short, the loss of revenue due to federal encroachments amounted annually to about one-tenth of one per cent of the total real property tax revenue.

This and That

Both Washington and Oregon have the benefit of new figures on municipal salaries as the result of the publication of *Salary Trends in Washington Cities* by the **Bureau of Governmental Research of the University of Washington**, and *Salary Rates of Officials in 121 Oregon Cities*, by the **Bureau of Municipal Research and Service of the University of Oregon** in cooperation with the **League of Oregon Cities**.

Washington also has published an informational bulletin on *Sick Leave Regulations*, including statements from the Civil Service Assembly, model regulations, the ordinances of Seattle, Tacoma and Aberdeen, and some factual data from Public Administration Clearing House. This comes from the **Association of Washington Cities** in cooperation with the **Bureau of Govern-**

mental Research of the University of Washington.

Successor to C. A. Crosser, who has taken a position in Seattle,¹ is Glenn N. Hoffman, who now becomes secretary of the **Bureau of Municipal Research of Des Moines**. Mr. Hoffman was formerly with the Des Moines City Department of Streets.

An exposition of the whys and wherefores of purchasing the privately-owned Market Street Railway by the city is a feature of the special election issue of *The City*, published by the **San Francisco Bureau of Governmental Research**. (N.B. Having rejected several previous purchase plans, San Francisco voters agreed at last to this one, thus ending the spectacle of two competing street car systems running side by side on the chief thoroughfare of one of the nation's chief cities.)²

Planning commissions may benefit from Hugo Leipziger's handsome study of *The Architectonic City in the Americas*, published by the University of Texas.

Research Bureau Reports Received

Debt

The Bonded Debt of the City of New Haven, 1920-1944. New Haven Taxpayers Inc., May 1944. 27 pp.

Housing

The Pittsburgh Housing Authority. By M. Nelson McGeary. State College, Pennsylvania State College, October 1943. 86 pp.

Personnel

Salary Rates of Officials in 121 Ore-

(Continued on page 354)

¹See NATIONAL MUNICIPAL REVIEW, June 1944, p. 311.

²See also "San Francisco Voters Approve Purchase of Street Railway," this issue, p. 370.

On the Local Front

Prepared by the Federal Security Agency
Paul V. McNutt, Administrator

ZILPHA C. FRANKLIN, Editor

Cadet Nurse Corps Aids in the Nursing Crisis

CITIES can anticipate relief from the nursing shortage in hospitals and other nursing fields as the U. S. Cadet Nurse Corps program moves into its second year. Lack of nursing personnel had hitherto hampered satisfactory hospital operation and curtailed other health and medical services in towns and cities throughout the country.

Designed to recruit and educate new student nurses the Corps, administered by the U. S. Public Health Service of the Federal Security Agency, is now in operation in nearly 1,100 of the nation's 1,300 schools of nursing. This stepping up of nurse education has already brought about definite relief, and further development of the program will make more and more service available as student nurses acquire sufficient education and experience to make them valuable additions to hospital nursing staffs.

The U. S. Cadet Nurse Corps fulfills two functions. It offers the means of recruiting new students who serve as they learn and it provides the technique for distributing nursing service. As a result of the Corps' operation, hospitals without schools of nursing are given more nursing service through affiliations and through the use of senior cadet nurses. Consequently, hospitals with schools of nursing are able to take more students.

The appeal of the all-expense scholarships offered under the Corps has had a tremendous effect in encouraging young women to enter schools of nursing. Recent samplings among newly

enrolled cadet nurses show that a large percentage have joined because they can now afford an education in nursing.¹

The student nurse may elect to spend her senior cadet period in one of the five federal nursing services—Army, Navy, U. S. Public Health Service (Marine Hospitals), Office of Indian Affairs or Veterans' Administration—or she may be assigned to her home hospital or another civilian institution. The general policy adopted by the U. S. Civil Service Commission, which clears the applications of senior cadets for the federal services, will be not to accept for utilization more than 50 per cent of the senior cadets from any one institution. It has been estimated that the federal services will need about 20 per cent of all available senior cadets. Present indications are that 12,000 student nurses will become senior cadets by July 1.

Recent reports received by the Division of Nurse Education, U. S. Public Health Service, which administers the Corps, indicate that many community health departments and health agencies are using senior cadets to the fullest possible extent under planned supervision.

The Georgia Department of Public Health has arranged a program whereby senior cadets may receive supervised practice in public health nursing on the staffs of local health departments. The agencies have been approved for the assignment of senior

¹See also "The U. S. Cadet Nurses Corps," NATIONAL MUNICIPAL REVIEW, September 1943, p. 444.

cadets by the Georgia State Board of Nurse Examiners.

The Toledo State Hospital, Toledo, Ohio, has made arrangements for the supervised training of senior cadets to serve in the admitting service, and the medical and surgical floors of this psychiatric hospital, as well as in insulin and electric shock therapy.

Several student nurses from the School of Nursing of Johns Hopkins Hospital, Baltimore, Maryland, will spend their senior cadet period with the Frontier Nursing Service in Hyden, Kentucky, for special experience and supervised training in rural district nursing.

Need for Nurses

Municipal authorities are painfully familiar with statistics showing the need for nurses. Of great importance now is their part in the recruitment picture. A quota of 125,000 new student nurses has been set for the two-year period, 1943-45. This does not represent the actual need for new student nurses, but rather the minimum number required to maintain health services. The actual need is much higher.

Municipal governments can help in the task of recruiting new student nurses in two ways. They can make information about the Corps available to the young women of their community and they can put in full use all existing facilities for educating nurses. When there are enough qualified applicants to fill the vacancies in their schools, they can refer additional prospective students to their state or local Nursing Council for War Service. The Council, in turn, will put the applicants in touch with other good schools. This will ensure against hoarding by a community where present entering classes are filled.

Some hospitals are barred from participation in the program by lack of

sufficient housing. This might be a task for local Offices of Civilian Defense and other cooperative organizations. They can help locate living quarters for students—rooms, for instance, in private residences not too far from the schools.

In many other nursing schools such facilities as classrooms and libraries must be expanded before the required number of student nurses can be enrolled in the Corps. Those schools which cannot finance the entire cost of such additions are eligible to apply for assistance under the Lanham Act. Channels have been cleared to enable prompt consideration of applications.

Schools of nursing applying for financial aid under the Lanham Act make their preliminary request to the Regional Office of the Federal Works Agency having jurisdiction in the state. New construction is permitted only upon evidence that existing buildings which might be suitably altered or rehabilitated are not available for lease or purchase.

The Lanham Act consists of a sequence of legislation enacted from 1940 up through 1943. The legislation covers both war housing and war public works and services.

The community facilities program provides water, sewer and garbage disposal facilities, hospitals, health centers, schools, recreation centers and other facilities to war-affected communities which could not provide such facilities themselves without undue tax burden.

Lanham Program

A number of laws have been enacted which are part of or relate to the Lanham community facilities program. Those which give the substance of this program are Public Law 137, 77th Congress, first session. Public Law 409, 77th Congress, second session; and Pub-

lic Law 150, 78th Congress, first session. Public Law 137 set the framework of the community facilities program and authorized an initial appropriation of \$150,000,000. Public Law 409 authorized an additional \$200,000,000 and made other substantive changes, which are of less importance in so far as hospitals are concerned.

An additional \$117,500,000 were made available for the community facilities program this spring.

The Federal Works Agency has placed a ceiling on projects of schools of nursing, predicated on the average cost of the first plans submitted. Based on that experience, the cost of new facilities in specific undertakings has been limited to \$2,400 per student bed. While this limitation has resulted in a few delays, it has usually been possible to reconsider and to obtain the required facilities under a revised plan.

To date applications have been received from almost 400 schools covering accommodations for about 21,000 students. Of these, slightly over 300 proposals have been surveyed in the field, resulting in recommendations for about 13,000 student beds and necessary training facilities.

The fact that no funds were available under the Lanham Act between December 15, 1943, and April 1, 1944, delayed this program to some extent. In spite of that, a total of 137 FWA projects covering 6,884 beds and the necessary adjunct space had been completely processed and had received presidential approval up to May 17.

Institutions which do not require assistance from the Federal Works Agency under the Lanham Act should make application for priorities assistance directly to the War Production Board, Washington, D. C.

The question arises, what may be-

come of all these newly educated nurses after the war?

Local authorities are already aware that more and more people are becoming accustomed to entering a hospital when they are ill. This is due in large part to the nation-wide growth of Blue Cross hospitalization plans. There is no reason to assume that this expanding custom will suddenly halt after the war. Hospitals, already understaffed, will require ever-increasing numbers of nurses to meet their developing needs.

As Dr. Parran declared a short time ago, "Medicine and public health are the instruments through which much will be done in postwar years to establish standards of living surpassing all previous human experience."

RESEARCHER'S DIGEST

(Continued from page 351)

gon Cities. Eugene, Bureau of Municipal Research of the University of Oregon and League of Oregon Cities, May 1944. 21 pp.

Salary Trends in Washington Cities. Bureau of Governmental Research, University of Washington, December 1943. 94 pp.

Sick Leave Regulations. Seattle, Association of Washington Cities and Bureau of Governmental Research, University of Washington, April 1944. 13 pp.

Public Works

State Aid for Public Works Sought at Special Session. San Francisco, *News Letter*, League of California Cities, June 1944. 4 pp.

Taxation

Federal Tax-exempt Property in Massachusetts. Boston, Massachusetts Federation of Taxpayers Associations, April 1944. 8 pp.

Contributors in Review

FOR an account of the career of **John Bauer** (*City Utilities Serve Neighbors*) see the REVIEW for June, page 301.

TWO tax economists, with nine others, contribute to a discussion of property tax problems—**Clarence Heer** and **Herbert D. Simpson** (*Should U. S. Use Occupancy Tax?*). Dr. Heer is research professor of public finance at the University of North Carolina. He has been consultant for legislative committees and tax departments in New York, New Jersey, Virginia and North Carolina. In 1932 he was in charge of the investigation of taxation trends for President Hoover's Research Committee on Social Trends, and in 1933 served as research director of the Interstate Commission on Conflicting Taxation. Dr. Simpson is professor emeritus of Northwestern University, now consultant to the New York State Division of the Budget. He was a member of the Commission on Real Estate Valuation of the Cook County, Illinois, Board of Commissioners to bring about the reassessment of real property in that county, a leader in the Citizens Committee movement in 1930 to improve Chicago assessment methods, and is a member of the special commission appointed by Governor Dewey for study of New York State's tax system.

Letter to the Editor

To the Editor of the
NATIONAL MUNICIPAL REVIEW:

Hazel Park, Michigan, in its biennial election held recently, demonstrates what happens when a good plan of government is not supported by organized citizens and when both citizens and able officials ignore the personal and political factors that often are decisive in human relations.

This community of 20,000 persons, chiefly factory workers, suburban to Detroit, three years ago successfully campaigned for a city manager plan of government. Following the first election an excellent nonpartisan commission, broadly representative, was chosen. A capable city manager was engaged and the administrative staff included a well trained commissioner of police, college graduate, etc.

But during the first biennium the responsible commissioners and administrators gave exclusive attention to their jobs, ignoring completely and fatally a long list of personal contacts and relationships in the community which did not interest them. This ap-

plied even to the city manager, whose chilly attitude in public meetings was often a subject of comment. Apparently he feared to create enthusiasm for the theoretical manager plan, while he emphasized the scientific and factual handling of his own job.

In the recent election the good government majority was defeated by a combination of minority pressure groups, almost exclusively political and dominated by selfish motives. As a result the opposition to good government made a clean sweep. The city manager, the commissioner of police, and others were promptly discharged. Key positions are filled by political friends of those who won the election. All of which proves again that even the best plan of government should be so administered as not to ignore the human factors, especially when disinterested citizens are willing to organize themselves for reasonable application of the common principles of political action.

WILLIAM P. LOVETT
Detroit Citizens League

News in Review

City, State and Nation

Edited by H. M. Olmsted

Continuous Commission Control of Civil Service Advocated

Warn on Veterans' Preference Dangers at Eastern Conference

AT THE Eastern Regional Conference of the Civil Service Assembly of the United States and Canada, held in New York City June 1 and 2, participants in panel discussions called for greater control by civil service commissions over personnel and training policies after appointment. It was asserted by some that commission authority practically ceased after an appointment was made.

In welcoming the conference Mayor LaGuardia suggested various civil service improvements, including a better testing system, changes in the methods of classification and grading, opening promotion examinations to larger fields and in some categories establishing a master eligible list available to cities throughout the nation, and automatic dropping of employees in certain low-skilled classifications if they fail to qualify for promotion in a reasonable time. He reiterated his position that governmental employees do not have the right to strike.

Veterans' Preference

Among the chief topics of discussion was the policy to be followed in reinstating veterans in civil service positions and granting preferences to those who seek governmental employment after discharge from the armed forces. Fletcher Waller, assistant director of civilian personnel and training for the War Department, stated that recent surveys by the department

indicated that 40 per cent or more of veterans being discharged from the army did not want to return to their home towns and former jobs.

Fear was evidenced that veterans may obtain a virtual monopoly of civil service jobs for a long time after the war through operation of various veterans' preference laws. William McDonough, of the New York State Civil Service Employees Association, a veteran of the first world war and a charter member of the American Legion, expressed the view that there should be no statutory preference for veterans, otherwise "we will do away with the merit system."

H. Eliot Kaplan, executive director of the National Civil Service Reform League, suggested a limited preference policy in which a distinction would be made between veterans with a rated service disability of 20 per cent or more and those with lesser disabilities; preference to be granted only in the five years after discharge, and to apply to appointment but not to promotion.

Charles H. Bland, chairman of the Civil Service Commission of Canada, disclosed that the Canadian government has already begun recruitment of present soldiers for postwar governmental employment. He stated that in Canada veterans have absolute preference in appointments to civil service jobs if they can pass the minimum entrance examination and have served in combat; otherwise they have no preference.

The Civil Service Reform Association (New York State) held its annual meeting in connection with the conference, and recommended a broad reorganization of the New York State and City systems of civil service, the chief proposal being the separation of policy-determining functions from the administrative work of recruiting, testing and certifying candidates.

House Denies Senate Power over \$4,500 Jobs

On June 1 the House of Representatives turned down Senator McKellar's proposal to require Senate confirmation of all federal government employees drawing \$4,500 or more per annum. The *New York Times* of June 3 comments editorially on this and another proposal, also defeated, to require the Tennessee Valley Authority to come to Congress for its money: "This rider would have reintroduced the spoils system, giving each senator a new portfolio of attractive jobs. Its effect upon the quality of the higher branches of the federal service can easily be imagined. The mystery is that our upper chamber, the supposed seat of thoughtful deliberation, somewhat removed from the biennial perils to which the House is exposed, should ever have allowed those riders to get through. They do not seem likely to get much further. The House can congratulate itself on its astuteness."

Merit System Introduced in Four Mississippi Cities

Civil service legislation of the state of Mississippi this year brings the merit system into municipal government in that state for the first time, according to the Civil Service Assembly of the United States and Canada. The new law affects full-time police and fire employees of the four cities having more than 14,000 population under the commission form of government—Jackson, Meridian, Vicksburg and Hattiesburg.

A board of civil service commissioners is created in each of these cities. It will consist of three members appointed by the city commission for overlapping terms of six years who serve without compensation. The board must appoint a secretary and three-member board of examiners, two of whom must be the fire chief and the chief of police.

All appointments and promotions must be made on the basis of merit, efficiency and fitness as determined by open competitive examination under the law. Members of the fire and police departments who have served more than six months at the time the law takes effect are declared eligible for permanent appointment without examination. Employees of the departments who are now serving with the armed forces will be granted reemployment preference and allowed the rights and privileges of the act as if their city service had not been terminated.

Council-Manager Plan News

The International City Managers' Association reports that the adoption of the manager plan by fourteen municipalities in the first five months of 1944 brings to 572 the number of cities and towns in the United States having the plan. There are also seven American counties with managers, and 25 cities outside the United States—one in Puerto Rico, nineteen in Canada, and five in Ireland—thus bringing the total to 604 for all cities, towns and counties.

Michigan leads the states with 55 manager municipalities, Maine has 54, Virginia 46, Texas 45, Florida 40, California 37, Pennsylvania 33 and Oklahoma 28. Of the adoptions in 1944, eleven were Maine towns.

A recent addition (included above) is **College Station, Texas**, which formerly had a "business manager" by authority of a city ordinance, and which in April adopted the provisions of a 1943 state law which authorizes the calling of elections for the purpose of adopting the manager plan in cities of less than 5,000 population.

The Board of Commissioners of **Orange, Texas**, have passed an ordinance calling for an election on July

18 to amend the city's charter to put into effect a city manager form of government.

Two manager cities and one manager county won first place in three of the six population groups in the 1943 National Traffic Safety Contest conducted by the National Safety Council. They are Cincinnati, Wichita, and Arlington County, Virginia. Watertown, New York, won second place in its population group (25,000-50,000) and ten other manager cities won honorable mention.

In the 1943 National Pedestrian Protection Contest sponsored by the American Automobile Association, four manager cities tied for first place, Arlington County, Virginia, won a first, and five manager cities had special mention.

Much discussion of the manager plan has developed in **Canton, Illinois**, which is now under a mayor and council. The *Daily Ledger* is giving favorable publicity to the movement.

A council-manager charter has been prepared in **Marshfield, Oregon**, for submission to the voters next November. It provides for a council of six members and a mayor, to be elected for two-year terms, the council by the Hare system of proportional representation and the mayor by the same system of preferential voting. The council appoints a manager and a municipal judge, to hold office at the discretion of the council. The name of the city will either remain Marshfield or be changed to Coos Bay, as the voters may determine. The *Coos Bay Times* of Marshfield and North Bend is supporting the proposed charter.

The manager plan, as noted in last month's REVIEW, was adopted in **Eugene, Oregon**, on May 19. It will go into effect January 1, 1945. The vote, according to the final tabulation, was 2,781 to 2,532.

A manager charter for **Milwaukie, Oregon**, is in preparation for submission at the November election.

At the November election the people of **Oregon** will again vote on a proposed constitutional amendment authorizing legislation to provide for county manager government.

Forum discussions of the council-manager plan have been held in **Ju-neau, Alaska**, and it has been decided to publicize the plan and to hold a special election if enough interest is shown.

Guilford County, North Carolina, (containing the city of Greensboro) has been added to the International City Managers' Association's official list of council-manager cities and counties. Its manager provisions went into effect in December 1942.

Hastings, Minnesota, has rescinded the manager ordinance under which it has been operating since 1941.

At an election on June 20 **Ottumwa, Iowa**, voters defeated a manager proposal.

Other localities evidencing current interest in council-manager government include **Columbus, Ohio, Meridian, Mississippi, Moberly, Missouri, Independence, Kansas, Burlington, North Carolina**, and **Grandview, Washington**.

Ordinances in 72 Cities Combat Black Markets

Seventy-two cities in eleven states have adopted ordinances in support of rationing and price control and against the so-called black market, according to information furnished by the Office of Price Administration to the International City Managers' Association, which reports that such ordinances have been sustained by courts in Ohio and Michigan.

Though provisions of these ordinances vary considerably, in general they provide penalties (1) for transfer

of a rationed commodity without transfer of the required number of ration tokens or coupons, (2) for sale of a commodity at a price in excess of the fixed ceiling price, and (3) for renting housing accommodations at rates in excess of ceilings. Many ordinances provide penalties for illegal acquisition or disposal of ration coupons.

Penalties vary widely, with fines ranging from \$10 to \$500 and jail sentences ranging from ten days to six months. Half the ordinances punish violators by suspension or revocation of municipal licenses.

It is stated that ordinances have been proposed and are awaiting final action in more than 150 other cities, and have been rejected in 23 cities.

Governors' Conference Urges Greater State Controls

The 36th annual Governors' Conference, held at Hershey, Pennsylvania, and at Harrisburg, May 28-31, resulted in re-affirmations of states' rights principles, and resolutions particularly calling for permanent state control over unemployment compensation and other services relating to employment.

Governors Dewey of New York and Bricker of Ohio emphasized their fears of centralization of government.

A closed conference with Bernard M. Baruch, advisor to President Roosevelt on industrial reconversion, occurred on the morning of May 30. Governor Kelly of Michigan, chairman, urged that Congress deal expeditiously with the problem of reconversion and adopt a legislative program, so that the states can make plans for industrial changes.

Recommend State Action on Unemployment Compensation

In order to prepare for the expected postwar strain on state unemployment compensation funds, a recent report of the Council of State Govern-

ments recommends that every state take action along the following lines.

1. Make careful estimates of its probable postwar unemployment benefit payments in relation to available funds;

2. Take steps, where necessary, to build more adequate reserves through legislation requiring higher wartime contribution rates, primarily from the expanded number of war workers;

3. Review the coverage and benefit provisions of state laws to determine their adequacy;

4. Re-examine statutory provisions and administrative procedures, with a view to assuring speed and efficiency in paying benefits under peak-load conditions;

5. Participate fully in plans to solve interstate problems in this field through interstate cooperation and provide further legislation if needed;

6. Consider the proper relation between state laws and any national program for veterans' demobilization allowances, and provide proper legislation that may be necessary.

Nebraska Development Group to Coordinate Postwar Plans

According to Governor Griswold of Nebraska a group set up by him as the Nebraska Development Committee has the following three main objectives:

1. To coordinate the efforts of various organizations that are interested or have taken some action in postwar planning;

2. To serve as a clearing house for information;

3. To stimulate citizens and communities of the state to think about their future problems.

Permanent Disaster Council Proposed for California

The California director of civilian defense, Richard Graves, has recom-

mended to the State War Council, on behalf of the latter's staff, that the state establish an emergency or disaster council of permanent character, to be composed principally of state department heads, such a council to take over the current civilian defense program and cooperate with the cities and counties through the regular channels of government in performing that type of work.

Postwar State Control of Crime and Delinquency

The Council of State Governments, in a report on postwar problems of delinquency and crime with special reference to demobilization, presents a long-range state program to modernize legal procedures of crime and delinquency control in the United States.

Among recommendations are the raising of personnel standards of police, probation and parole officers, by requiring better training and by paying better salaries; individual treatment of prisoners and replacement of jails and prisons now unfit to carry out rehabilitation programs; and an integrated plan of correction on a statewide basis with a single state agency to direct all steps in handling a convicted lawbreaker, beginning with sentencing, through custodial treatment, parole and reestablishment in the community.

Carrying out this coordinated program would require a statewide agency of competent men and women to which the courts would commit all offenders requiring any type of institutional training or segregation from society, including those now committed to local jails. This agency would be called a department of justice, department of corrections, department of public welfare or correction authority.

Under this plan, drafted by the council's interstate committee on delinquency and crime control, the courts

would have power to impose fines, grant probations, suspend sentences or commit offenders to the state authority on an indeterminate sentence. Final sentence would be recommended by the state agency after study of the individual prisoner.

The central state agency would take over powers and duties of the state parole board and have "power to release under supervision and to discharge at any time within the paroleable term," all parole officers would be appointed under a state civil service or merit system and would be organized on a state basis under the state authority, interstate parole agreements would be set up, and the state agency would develop a field service to enlist citizens to help parolees find homes, jobs and friends.

Estimates of Postwar Housing Show Sharp Conflict

In contrast to the estimated need of over a million new dwelling units per year for fifteen years following the war¹ and the position of the National Association of Housing Officials that this can be met if government, private enterprise and labor cooperate effectively, the National Association of Real Estate Boards predicts barely more than 300,000.

In its 42nd semi-annual survey of the real estate market the Association asked local real estate boards to make a close check of the number of houses likely to be built in their communities after the war. Replies from 376 cities in all parts of the country indicated an average of 4.4 units per 1,000 of urban population was expected to be built annually; this is stated to be equivalent to approximately 303,000 dwelling units for urban areas.

The Association urges urban redevelopment and a rebuilding program

¹NATIONAL MUNICIPAL REVIEW, June 1944, p. 302.

embracing all types of building, to stimulate postwar recovery.

Douglas Whitlock, president of the Producers' Council, Inc., states that the market analysis committee of that organization forecasts that 350,000 non-farm dwelling units will be constructed during the first year after the war and that an average of 970,000 will be built annually in the following five years; 372,000 of these non-farm units are expected to be in small communities of rural character. The six-year total of 5,200,000 units would meet only a part of the estimated needs of 1,000,000 families claimed to have had no residence of their own before the war, 4,700,000 units for new families formed since the outbreak of war (and being created at a rate of 500,000 per annum) and over 4,000,000 units to replace substandard dwellings.

Benefits to Veterans Extended by Legislatures This Year

Among state legislatures that in 1944 have provided for benefits to war veterans, following the trend in recent years among the states, are Kentucky, Michigan, New Jersey, New York, Rhode Island, and Virginia, according to the Council of State Governments.

In connection with rehabilitation, Michigan has set up an Office of Veterans' Affairs and a Veterans' Advisory Committee, New York established a temporary commission on veterans' problems, and Virginia made an appropriation to assist in rehabilitation.

For financial assistance New Jersey created a \$5,000,000 Veterans' Loan Authority and Michigan a \$1,000,000 veterans' reserve fund for emergency care; Michigan and Kentucky provided certain tax exemptions; Michigan, New York and Rhode Island liberalized unemployment compensation provisions; and Kentucky, Michigan, New York and Virginia granted various educational privileges.

Citizen Action

Philadelphia Planning Group Makes Report

Meetings, Surveys Create Active Citizen Interest

THE Citizens' Council on City Planning of Philadelphia, composed of 64 affiliated organizations, has issued *City Planning in Philadelphia* "for the purpose of summarizing and interpreting the planning problems, machinery and procedures in Philadelphia." According to the Foreword, the document is largely factual but it also reveals certain points of view and approaches to city planning as adopted by the Council. "It is designed primarily for the use of speakers, but it may be accepted also as a report and general statement of policy by the Citizens' Council."

The pamphlet gives a history of city planning in Philadelphia, a description of the City Planning Commission created by ordinance of City Council in December 1942, and of the Citizens' Council, founded in June 1943 "to facilitate citizen participation in city planning and to further the science of city planning in Philadelphia."

The Council—and its informal forerunner, the Action Committee on City Planning—have accomplished much in bringing planning problems to the attention of citizens. Numerous conferences—large and small—have been arranged. In October a luncheon attended by a thousand people was held at which the two principal candidates for mayor answered questions put to them by the Citizens' Council. Statements, letters to the Mayor and the Governor, etc., have been publicized and have helped keep the necessity for

sound planning before Philadelphians.

Together with the Philadelphia Housing Association and the Architects Workshop, the Council made and exhibited a demonstration model of several blocks of an old section of the city showing how certain streets might be closed, trolleys re-routed, old buildings demolished, a community center and day nurseries attached to the existing modern school, a new shopping center developed, and new open play spaces introduced—all with maximum retention of existing assets in buildings and utilities and at minimum cost to the city.

Last fall, at the request of the City Planning Commission, the Council undertook to make a limited survey by questionnaire of the needs of neighborhoods throughout the city.

A news letter is issued monthly, a speakers' bureau has been started, and numerous committees have been appointed on such matters as public improvements, neighborhood planning, and regional planning.

An appendix to the pamphlet lists the member organizations with the names and addresses of their delegates to the Citizens' Council.

College Students Make Parking Survey

Eight students of San Jose State College, according to a report in the publication of the **Citizens' Planning Council of Greater San Jose**, are making a survey of parking facilities in the downtown area of the city at the request of the transportation committee of the Planning Council. Results of the survey will be used by the committee in recommendations for solution of San Jose's parking problem.

Dr. Earl W. Atkinson, head of the commerce department of the College, arranged for the students to make the studies outlined by the committee. A

veteran of World War II, David Coen, is leader of the student group.

Initial work was a complete inventory of curb and off-street parking facilities, including ownership of parking lots, fees charged, location, capacity and other pertinent information. Vacant lots which could be used for off-street parking were listed, with estimates of capacity.

This was followed by studies determining the distance motorists are willing to walk from parked cars to their destinations, parking fees motorists are willing to pay based on distance from objective, extent to which curb space is used by shoppers and by persons working in the downtown area, and the extent to which parking lots are used by shoppers and by downtown workers.

The study occupied twelve weeks, students receiving regular college credit for their work.

Member Activity Promoted by Series of Meetings

The splendid growth of the membership of the **Chicago City Club** during the past year has brought added responsibilities, says Herman L. Ellsworth, president of the Club, in the *City Club Bulletin*. "It is not enough to have a man join the Club," said Mr. Ellsworth. "Unless he becomes an active worker in the Club's program both he and the Club lose something intangible but very real."

To meet the situation, at least in part, the executive committee has inaugurated a series of meetings at which groups of new members are their guests. Officers and directors explain the purpose and program of the Club; the new members in turn tell something of their own civic interests. The meetings have proved most worth while.

Mr. Ellsworth closes his statement with this appeal: "This is an appeal to

the older members who are not on the Board to do their share in enlisting the new members in our work. At the present time approximately every fifth member has joined the Club within the last year. It is our earnest hope that this growth may continue. We must build a worth while program, one which will present both a challenge and an opportunity to each of our members to join in it and do his share, and we count on the support of our older members in enlisting the active interest of the new members in making the program a success."

Here and There

Civic Fund Campaign

The **Minneapolis Civic Council** reports that it has successfully concluded its seventh Annual Civic Fund Campaign which raised \$245,000 for the support of the seven major civic and commercial organizations of Minneapolis. This annual campaign is conducted along Community Chest lines. Four hundred volunteer solicitors ring doorbells, ask for new or renewal subscriptions. Each year the fund has grown larger, the cost of raising it smaller. Campaign expenses this year, according to Allen H. Seed, Jr., executive vice president of the Civic Council, were 2 1/2 cents for each dollar raised. Delinquent accounts are running less than 1 per cent. Member organizations include: Associated Industries, Better Business Bureau, Hennepin County Good Roads Association, Hennepin County Safety Council, Minneapolis Civic and Commerce Association, Minneapolis Research Bureau, Minneapolis Taxpayers Association.

* * *

Citizens Review Local Problems

A Citizens' Committee of 40 members has been appointed by the **Muni-**

cipal League of Toledo to review city, county and school financial problems. The job which the League is undertaking is to develop proposals for:

1. Assuring a sound financial basis for the current operation of the several local governments in the county;
2. Revenue sources for financing postwar public works in the Toledo area;
3. Reviewing proposed public works from the viewpoint of futility, employment, operational and maintenance expenses;
4. Synchronizing public works employment with the reconversion lull, or lulls of private employment.

* * *

Municipal Radio Station Defended

The **Citizens Union of New York** has come to the defense of the city's Municipal Broadcasting System, protesting the attempt of the City Council to discontinue it by removing its appropriation from the budget. The Union lists ten different ways in which the station has proved itself an important asset to the public. "For all these benefits an appropriation of \$111,645 in a city budget of \$737,000,000 is a small price to pay," says George H. Hallett, Jr., secretary of the Union. "It is one of the taxpayers' best investments."

* * *

Housing in New York

"Housing the Postwar Metropolis" was the subject of the spring conference of the **Citizens' Housing Council of New York**. Mayor LaGuardia, Matthew Woll, vice president of the American Federation of Labor, Edward Weinfeld, former commissioner of the New York State Division of Housing, Stanley M. Isaacs, a member of the New York City Council, President Harry D. Gideonse of Brooklyn College, and Hugh R. Pomeroy, executive director of the National Association

of Housing Officials, were among the speakers.

* * *

Membership Goal Passed

The **Citizens' Planning and Housing Council of Rochester, New York**, has passed the 350 quota which the membership committee had set as its goal. Dues collected have reached \$1,100. Says the Council's bulletin, "The greater the number of members the stronger the influence of the Council in the community. Every member of the Council is a member of a permanent membership committee, charged with the duty of bringing in new members." Copy of a new leaflet describing the aims and achievements of the Council has been mailed to each member.

* * *

Juvenile Delinquency Probed

The Social Welfare Committee of the **Chicago City Club** has made a new study of the Juvenile Court and the Juvenile Detention Home. The Club's *Bulletin* states that "The hazards of detaining children in an institution where undesirable association cannot be avoided is always serious." The Committee condemns delays in handling juvenile delinquency both in the home and the court.

* * *

Social Security

In its bulletin for June 1, the **Utah Taxpayers Association** discusses the Wagner bill, listing a series of questions and answers.

The **Indiana Taxpayers Association** publishes a discussion of old age assistance and grants to dependent children in a recent release to newspapers.

* * *

Voters Directories

In addition to the organizations listed in these columns last month, **Los Angeles Government Research, Inc.**, the *Oregon Voter*, and the **Property Owners Association of California** have issued

directories on candidates running in spring primaries.

* * *

More Annual Meetings

The annual meeting of the Cambridge Committee for Plan E (city manager with election of council by proportional representation) was held May 17.

The **Nevada Taxpayers Association** held its annual meeting in Reno May 9.

Miss Marguerite M. Wells, former president of the National League of Women Voters, addressed the **Minnesota State League** on "Leadership in a Democracy."

* * *

Strictly Personal

Ronald E. Gregg, formerly staff economist for the National Association of Manufacturers, has returned to his former position as executive secretary of the Municipal League of Toledo.

William D. Shannon, civil engineer and past president of the Seattle Municipal League, has filed with the Seattle City Council's department efficiency committee a 17-page report on a paving project on which the Council asked him to make an investigation.

Douglas Sutherland, executive secretary of the Chicago Civic Federation, addressed a meeting of the Committee on Public Finance of the Chicago Union League Club. He discussed a plan to remedy the confusion caused by the increase of the assessment basis from 37 to 100 per cent.¹

William P. Lovett, secretary of the Detroit Citizens League, addressed the Citizens' League of Port Huron, Michigan, at its meeting in May; his topic, "Are Public Officials Human Beings."

After a brief period without the services of a full-time executive, the Woonsocket Taxpayers' Association is functioning actively again. **Joseph A. Kelly** is the new executive director.

¹See also p. 369 this issue.

Proportional Representation

Edited by George H. Hallett, Jr.

(This department is successor to the
Proportional Representation Review)

P. R. Yields One-Party Control in Ireland

Minority Parties Also Receive Appropriate Representation

ACCORDING to figures published in the *Irish-American* weekly, the *Irish Echo*, of June 10, the P. R. elections of the Dail Eireann, which were held May 30, resulted in the election of 76 members of Fianna Fail, the party led by Premier Eamon DeValera, 30 members of Fine Gael, the party of former Premier William Cosgrove, now led by General Richard Mulcahy, twelve¹ Farmer representatives, eight members of the Labor Party, four of National Labor, and eight independents.

This gives Mr. DeValera an absolute majority of fourteen members and restores, probably for the next five years, the one-party control which he has enjoyed most of the time since he first took office in 1937. Those who keep contending that P. R. tends to break up the whole electorate into small groups and to make stable government difficult or impossible will derive little comfort from the experience of Ireland.

As compared with the results of the last Irish elections held last year, Fianna Fail gained nine seats, Fine Gael lost two, the Farmers just held their own,² Labor with a new split in

its ranks lost five in all but secured representation for both factions, and the number of unattached independents was reduced by two.

The results correspond substantially to the totals of first choices as reported in the *Irish Echo*. As was to be expected, Fianna Fail picked up strength on transfers from defeated candidates of the smaller groups which had generally supported it in the outgoing Dail, and some of the latter failed to poll enough votes to elect anyone in some constituencies, but there was no annihilation of any substantial minority such as would have been almost inevitable under a plurality system of election with one party so far in the ascendency throughout the country. The figures reported were as follows:

Dail Eireann Elections of May 30, 1944

Party	First-Choice Votes	Members Elected
Fianna Fail	595,712 (49.4%)	76 (55.1%)
Fine Gael	249,265 (20.7%)	30 (21.7%)
Farmers	146,833 (12.2%)	12 (8.1%)
Labor	106,743 (8.9%)	8 (5.8%)
National Labor	26,493 (2.2%)	4 (2.9%)
Independents	80,785 (6.7%)	8 (5.8%)

Sixty-seven per cent of all the qualified voters went to the polls and cast valid ballots. The percentage would have been slightly higher if the candidates nominated in the district of West Donegal had not been elected without a contest.

Premier DeValera and all his ministers were easily re-elected, though in two constituencies they did not lead the poll. One of the most dependable effects of P. R. in practice is the retention of leaders in office, since they are almost sure to be chosen either

¹A United Press dispatch of June 1 classifies three of these as independents.

²According to both the *Irish Echo*, which credited the Farmers with twelve members, and the United Press, which credited them with nine. The account of the last election published in this depart-

ment in September 1943 gave the total representation of two Farmers' groups as fourteen, but noted that five of the members were sometimes classed as independents.

as majority or as minority representatives in whatever areas they contest.

James Dillon, the only candidate who ran last year on a pro-Ally platform in opposition to the neutrality policy of the government, was re-elected as a minority representative in County Monaghan.

In view of the curious claim sometimes made by opponents of P. R. in New York and elsewhere that P. R. tends to accentuate racial and religious tensions because it permits voters to vote for and help elect members of their own racial or religious background if they wish, the following comment on the Irish election by the *New York Irish Echo* is significant:

The election proved that in Eire democracy is not only a name but a fact. Every class and creed in the nation was represented among the candidates and every class and creed was represented among the voters. There were no religious restrictions, either open or secret, operating against those seeking to be elected to the Dail—Catholic and Protestant, Jew and Gentile were considered eligible. Robert Briscoe, of Dublin, a Jew who has been elected a deputy at every election in Eire in the past, was again returned. Dr. Douglas Hyde, the grand old man of the Gaelic Revival Movement, a member of the Episcopalian Church, is still President of Eire.

In no country in the world was there a freer manifestation of the people's will at any time since the present world upheaval than there was in Eire last week.

The *Dublin Irish Times*, which is not a supporter of Mr. DeValera, said editorially on June 2:

There never was a freer election than that which just has come to a close in this country. The people have had an opportunity to express their views with absolute liberty. Consequently, every good democrat must accept the verdict without question.

Marshfield to Vote on P. R. and Manager

A new charter has been prepared for submission in November to the voters of Marshfield, Oregon, calling for a city manager government with six councilmen elected by the Hare system of P. R. and a mayor elected by the Hare system of majority preferential voting.

Marshfield voted last November 775 to 146 in favor of a P. R.—manager charter for a proposed consolidated city of Coos Bay to include Marshfield and North Bend, but adverse votes in North Bend prevented the charter's adoption.¹

Iceland Uses P. R.

Iceland, with which so many American young men have recently become familiar, has the distinction of being at once the world's newest republic and the world's oldest democracy. On June 17 it proclaimed itself a republic, completely independent of Denmark's king, after a referendum vote of 70,536 to 365 in which about 98 per cent of the eligible voters participated. But the transition to the republican form of government will present no problems to Iceland, for in 1930 it celebrated one thousand years of self-government. Its Althing, or representative assembly, was created in the year 930 A.D., some two hundred years before the British Parliament, and has been popularly elected and exercised a substantial degree of control over the island's affairs ever since.

From 930 to 1262 the island was governed by its Norse settlers as an independent republic. Since that time it has been under the sovereignty first of Norway's kings and then (since 1388) the kings of Denmark.

(Continued on page 372)

¹See the NATIONAL MUNICIPAL REVIEW for December 1943, p. 612, and for February 1944, p. 102.

County and Township

Edited by Elwyn A. Mauck

Constitution Convention Approves County Changes

Consolidation, Dissolution Plans Drawn in Missouri

A REPORT of its committee on local government, providing means for county consolidation or dissolution, has been accepted by the Missouri Constitutional Convention. The proposal authorizes two or more counties to consolidate by a majority vote of the electorate within each county. Four methods for the consolidation of St. Louis with St. Louis County are set forth. Dissolution of a county would need a two-thirds majority. Such proposal must provide for annexation to adjoining counties.

Irish Counties Now Have Manager Government

In accordance with an act of the Dail Eireann adopted in 1940, the 26 counties of Eire (Ireland) are now administered by county managers, who also act as chief administrators for all other elective boards within the county—health board, poor board, etc. A manager is appointed by the county council on recommendation of the Minister of Local Government and Public Health, who in turn requests the Local Appointments Commission to make the selection. He may be removed by a two-thirds vote of the council with the sanction of the Minister. Certain rural counties are grouped for the employment of single administrators.

Planning Commission for Washoe County, Nevada

In accordance with the provisions of a 1941 statute, Washoe County,

Nevada, has created a planning commission. Later there will be set up a regional planning commission which will consist of nine members of whom three will be from the county commission and three each representing the planning commissions of the cities of Reno and Sparks. The one county and two municipal commissions will advise their respective governing bodies on plans for a long-range betterment program for their communities, while the regional group will restrict itself to problems of conflicts among the units and matters affecting the area as a whole.

Pennsylvania Counties Consider Postwar Planning

The State Association of County Commissioners of Pennsylvania is conducting a series of regional conferences on the subject of postwar planning. Through this series of one-day institutes, held at various points, the Association hopes to develop plans for public improvements to be constructed at a time to furnish employment before full resumption of industrial activities.

Improvement in State-County Road Relations Sought

The editors of *Better Roads* are devoting prominent space in three current issues to the problem of improved state-county highway relations. The April issue contains an exploratory article intended to stimulate discussion, and the following two issues contain expressions of varying reactions to the suggestions set forth.

The points most frequently emphasized include need for cordial relations between state and county officials, cooperation among the counties, a minimum degree of state control commensurate with good administration, minimum qualifications established by the state for county highway office personnel and increased federal and state aid.

Taxation and Finance*Edited by Wade S. Smith*

**Nebraska Public Power
District Refunds*****Enterprise Also Effects
Integration of Districts***

SUCCESSFUL refinancing in May of \$41,533,000 of bonds by Consumers Public Power District of Nebraska focussed attention on this venture in the field of public ownership and management of electric power generation and distribution—a venture whose organization in the fall of 1939 brought to fruition a public ownership objective first sought nearly half a century before by the abortive Populist movement.

Set up piecemeal, as the properties—sometimes widely separated—of the privately-owned electric utilities were acquired, this enterprise never attracted the publicity centered on the Tennessee Valley Authority, the other large-scale public power development of recent years, or on Bonneville and Grand Coulee, the large far-western power-supply projects. In a few short years, however, it has proved itself just as capable of successful operation as TVA. Acceptance by the bankers of this fact is indicated by issuance of the refunding bonds, with coupons of $1\frac{3}{4}$ per cent to $3\frac{1}{2}$ per cent at a net interest cost of 2.178 per cent, to replace the outstanding bonds called for payment which carried interest rates of $2\frac{1}{2}$ per cent to $3\frac{1}{4}$ per cent.

Where TVA, Bonneville and Grand Coulee are generators of power, wholesaling it to others for distribution, Consumers Public Power District of Nebraska is both a generation and dis-

tribution system. Originally formed with boundaries identical with those of the city of Columbus, the district has expanded by the addition of "divisions" until it now serves at retail 304 cities, towns, and unincorporated villages covering substantially the entire state excepting only the metropolitan area of Omaha.

The District has bought out fourteen private power companies, and there remains in Nebraska only one sizable privately-owned electric utility, the Nebraska Power Company serving in and adjacent to Omaha. In fact, in addition to Omaha, only four communities of over 1,000 population are privately served. Some of the cities served by Consumers retail through municipally-owned systems, and in a few there are both municipally-owned and district distribution systems.

Consumers secures the bulk of its power—about 74 per cent in 1943—by a unique arrangement, under contract with the so-called "Hydro pool," which consists of three federally-aided hydroelectric generating projects on the Platte and Loupe Rivers. Some of the generating facilities acquired by purchase by Consumers have been leased by them to the Hydro pool, but in 1943 Consumers generated about 20 per cent of its power in its own plants. The other 6 per cent last year came from the U. S. Reclamation Bureau and from scattered other sources.

The enterprise was originally set up in "divisions" to facilitate the gradual acquisition of separately-owned facilities. One of these divisions, located in the extreme western portion of the state, is not physically inter-connected with the rest of the system.

In the eastern section of the state there are seven distribution divisions, all physically integrated. (There are three additional divisions, representing the three districts comprising the Hy-

dro pool, which are power generation, not distribution, entities.)

In the refinancing, the western division was segregated from the eastern properties, while the other seven distribution divisions—some of which have generation facilities—were consolidated in a single eastern division. Physical integration is thus now matched by administrative and financial integration.

As publicly-owned electric enterprises go, Consumers is not one of the largest, for Nebraska is a sparsely-populated state, without the heavy industrial power demand available to many municipally-owned plants. Financially, however, it is presently operating successfully. In 1943 eastern and western divisions consolidated had total operating revenues of \$7,466,371, and net income before depreciation and bond interest was \$3,462,244. Bond interest and amortization (including provision for maturing serial bonds and sinking fund contributions for term bonds) was \$2,399,845, covered by net income before depreciation, etc., 1.44 times.

New Assessed Valuation Fixed for Chicago

Since the comment on the Chicago-Cook County property valuation situation in this column for May, final figures on the new assessed valuation have been released by the county assessor. For property in the city the new valuation is \$4,826,912,000, as compared with \$1,861,585,000 for the prior year. The tax rate is \$3.90 per \$100, compared with \$10.42 last year.

Increase in the new valuation, as discussed earlier, is the result of the county assessor's change from a basis of assessment of about 37 per cent of full value to a full 100 per cent. The assessor fixed the taxable valuation of real estate this year at \$3,610,711,000, as compared with \$1,354,306,000 last

year. County-assessed personality was valued at \$983,782,000, against \$375,021,000 last year. On a full 100 per cent basis, it may be noted, last year's realty valuation was about \$50,000,000 higher than that for the new year, and the personality valuation about \$30,000,000 greater, so that after adjustment to eliminate the change in the basis of assessment the new figures actually show a continuation of the downward trend of valuations evident in Chicago for the last fifteen years or so.

In addition to the property assessed by the county, there is railroad property and some personality assessed by the state. The state, in certifying these valuations, secures a so-called equalization by using a weighted average representing the average ratio of assessment used by all the counties in the state. Last year the state ratio was 33 per cent, state-assessed personality being fixed at \$47,417,000 in Chicago and railroad property at \$84,841,000. This year, the 100 per cent basis used by Cook County raises the state's equalization factor to 54 per cent, with Chicago personality fixed at \$76,874,000 and railroad property at \$155,545,000. On a full 100 per cent basis, the state-assessed personality is virtually unchanged from last year while the railroad property is up nearly \$30,000,000.

Raising the entire roll—state-assessed and county-assessed—to a uniform 100 per cent basis, the hypothetical full value figure for 1943 is \$5,024,899,000 as compared with \$5,074,639,000 for 1942. Thus, where last year's assessed value represented 36.7 per cent of the hypothetical full value figure, or very close to the 37 per cent used by the county assessor alone, this year's total taxable value works out at 96.1 per cent of full value, as a result of the greater disparity between the ratios used by county and state on the properties independently assessed.

Tax Delinquency Continues Decline

Median year-end current tax delinquency for 150 cities of over 50,000 population declined from 6.0 per cent for 1942 to 4.70 per cent last year. The 1943 figure compares with the recorded peak of 26.35 per cent for the depression year 1933, and the 10.15 per cent for 1930. Further, 79 of the cities showed ratios of less than 5 per cent, as compared with 66 in 1942, while cities with ratios of 10 per cent and higher numbered only 15 in 1943 as compared with 39 in 1942.

These are among the highlights of the twelfth annual study of property tax collections of United States cities by Dr. Frederick L. Bird.¹ The study summarizes not only the delinquency ratios—computed as a percentage of the current levy uncollected at the close of the fiscal year—for the 197 cities of over 50,000 population, but also shows for most cities the percentage remaining uncollected at the end of the 1943 fiscal year on the last four levies, and the ratio of the accumulated total of uncollected taxes to the current levy. For something over 100 cities, ratios are also presented showing the total of combined current and back tax collection as a percentage of the current levy.

Another significant development of 1943 was the raising of the median ratio of total current and delinquent tax collections to 101.2 per cent, compared with 100.7 per cent in 1942 and 101.7 per cent in 1941. This was the ninth consecutive year in which tax collections were abnormally high.

While satisfactory tax collections are only one factor in municipal finances, it is perhaps the most important single

factor. Consequently, this year Dr. Bird has added a chapter sampling the concrete evidences of improvement in financial position during the last several years. Fifty cities of over 50,000 population, selected more or less at random, are used for the comparison. At the end of the 1941 fiscal year, twenty showed a combined cash deficit (excess of current liabilities over cash) in their general operating funds of just over \$22,000,000, while 30 showed cash surpluses (excess of cash over current liabilities) of more than \$21,000,000, the 50 combined showing an over-all cash deficiency of \$584,817. At the end of 1943, the deficits amounted to only \$6,000,000, shown by but twelve cities, while the other 38 cities showed a combined cash surplus of nearly \$45,000,000, the 50 together showing an over-all cash surplus of \$38,651,923.

San Francisco Voters Approve Purchase of Street Railway

Approval of a proposal to purchase the privately-owned Market Street Railway system, to be consolidated with the municipally-owned transportation lines, was given by San Francisco voters at the May 16 election. This was the sixth time the matter had been submitted to referendum. On five previous occasions during the past five years the proposal was defeated. The city will make a down payment of \$3,000,000 from surplus municipal street railway funds and the remainder of the approximately \$7,500,000 cost will come out of operating revenues of the Market Street unit. Future plans include raising the fare from five to seven cents, adoption of a one-fare consolidated transfer system and increase of the frequency of street cars 12 per cent and bus service 20 per cent. The 2,286 employees of the line will be blanketed into the civil service of the city.

¹*The Trend of Tax Delinquency, 1930-43.* By Frederick L. Bird. Dun & Bradstreet, Inc., New York City. 35 pp.

Books in Review

Edited by ELSIE S. PARKER

State and Local Finance in the National Economy. By Alvin H. Hansen and Harvey S. Perloff. New York City, W. W. Norton and Company, 1944. x, 310 pages. \$3.75.

This is essentially a book on inter-governmental fiscal relations. It is written upon the political assumption "that only when the higher levels of government play their appropriate role vigorously and efficiently are conditions created under which subordinate units of government can effectively carry out the functions appropriate to them" (page v). It is written upon the economic assumption "that it is sound fiscal policy to control public expenditures, taxation, and borrowing so as to promote economic stability at continuously high levels of business activity and full employment" (p. 285).

To prove the political assumption, the roles of the three levels of government are examined. The picture presented is one of an enhanced national government underwriting minimum service standards in education, health and welfare and making annual grants to states and localities of \$3,000,000,000 as compared with \$900,000,000 plus \$850,000,000 through WPA in 1941. National and state grants will help to relieve the local property tax of some of the excessive burden which it has had to bear. "In unitary as well as in federal systems of government," say the authors, "it has been found that the governmental unit which is best adapted to the administration of a public service is not necessarily the unit which can most effectively raise the revenues to finance the service" (p. 122).

The inadequacy of existing local units is stressed in an excellent chapter on modernizing local governments. There is no doubt that such moderni-

zation is needed both for effective local administration and for effective local self-government. As for grants, they can be administered in a way to encourage local self-government or in a way to make local governments tend to become administrative districts only. There are latent dangers there.

In harmony with their economic assumption, the authors point up the interrelations of state and local finance and the economic base of the area and the productivity of the entire nation. State business taxation should be drastically reformed in order to encourage business activity and state general sales taxes should be abolished in order to encourage mass consumption. Because state and local expenditures are less subject to variation in the various phases of the business cycle than are national expenditures, cyclical fluctuations must be made largely in the national budget.

Government expenditures undoubtedly affect business activity. But the failure of the authors to provide for at least a cyclically balanced national budget is the point at which most will disagree. Only if "full employment" is achieved will the budget be balanced in a fiscal year; in periods of a feverish private investment boom the national debt will be retired at about \$5,000,000,000 a year, while in periods of low private investment the debt will be expanded at the rate of \$10,000,000,000 a year.

The book is comprehensive, containing a valuable discussion of problems of intergovernmental fiscal relations.

EDWARD W. WEIDNER

Return to Freedom. The Affairs of Our Time and Their Impact upon Youth. Edited by Thomas H. Johnson. New York City, G. P. Putnam's Sons, 1944. x, 209 pp. \$2.

During the past three years the Lawrenceville School in New Jersey has invited leaders in a wide range of activities to discuss with the student body some of the problems the future will bring. This volume contains eleven recent discussions which are both timely and stimulating. The subjects range from history, statecraft and public affairs to religion, ethics and public morals. Of particular interest to REVIEW readers should be Charles P. Taft's discussion on "The Citizen as a Public Servant." E. W. W.

Additional Books and Pamphlets

Fire

Code of Suggested Ordinances for Small Municipalities. New York, National Board of Fire Underwriters, 1943. 46 pp.

Health and Welfare

Clothing and Shelter for European Relief. By the Special Project on Relief and Rehabilitation. Washington 6, D. C., National Planning Association, 1944. iv, 47 pp.

International Organization for Health. By C. E. A. Winslow. New York 18, Commission to Study the Organization of Peace, 1944. 32 pp. 10 cents.

Labor and Management

Will Wage Incentives Eliminate Conflict Between Labor and Management? By James F. Lincoln, A. I. Davey, Leo Cherne, and George Baldanzi. (Broadcast May 25, 1944, America's Town Meeting of the Air). New York 18, Town Hall, 1944. 23 pp. 10 cents.

Lend-Lease

Fifteenth Report to Congress on Lend-Lease Operations. For the Period Ended March 31, 1944. Washington 25, D. C., Superintendent of Documents, U. S. Government Printing Office, 1944. 84 pp. 30 cents.

Lend-Lease and Mutual Aid. By Mabel L. Walker. New York 10, Tax Institute, 1944. 13 pp. 25 cents.

Municipalities

Annual Report, Association of Washington Cities—May 1, 1943–April 30, 1944. By Chester Biesen. Seattle, Association of Washington Cities, 1944. 10 pp.

Peace

International Safeguard of Human Rights. Fourth Report, Part III. New York 18, Commission to Study the Organization of Peace, 1944. 24 pp. Free.

PROPORTIONAL REPRESENTATION

(Continued from page 366)

In line with its democratic tradition Iceland uses proportional representation, as do all the other Scandinavian countries. A party list system of P. R. was adopted for part of the membership of the Althing in 1916.¹ The most recent election under it took place in 1942.

¹This action took place seven years after Sweden's adoption of P. R. for national elections and four years before Norway's. Denmark has used the Andrae system of P. R., identical in principle with the Hare system used in this country, for indirect elections of part of its national parliament since 1855, but it was not until 1915 that the use of P. R. for Danish elections was made general. The 1915 law provided for election by a list system of the electors by whom the members of the upper house (Landsting) were to be elected by the Andrae system, and for the election of the lower house (Folketing) partly by a list system of P. R. and partly by a single-member district system with adjustments designed to make the total representation of parties proportional to their votes. Since 1920 the entire Folketing has been elected by a list system of P. R. except for the one member representing the Faroe Islands. Finland has used a list system of P. R. for its one-house parliament since 1906, continuing it when it adopted a new constitution as an independent republic in 1919.